FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Tuesday January 29 1985

D 8523 B

How higher rates will affect UK industry, Page 14

World news | Business summary

Iraqis launch attack on Iran

Iraq said its forces had launched a new offensive on Iranian positions in the southern sector of the Gulf war front near the town of Basra.

Iraqi reports said that their troops had occupied the positions they attacked and inflicted heavy losses on the Iranians. The Iranian Government has acknowledged the attack but claims to have repulsed it, leaving the Iraqis with severe casualties.

The Iraqis say that their attack, the first they have made for two years, is intended to pre-empt a large-scale Iranian assault. There have been reports of Iran massing hundreds of thousands of troops in the southern area for several weeks. Page 3

Saboteurs held

Six members of New Caledonia's pro-independence group were arrested and three of them admitted sabotaging nickel mining equipment.

Lebanon killings

Israeli troops sealed off south Lebanon to Beirut-based journalists amid reports that Israelis fired on a carload of eight children, killing a three-year-old girl. The child was among at least four people killed and eight injured in attacks.

Plea to Belgium

Britain added its weight to that of the U.S. and other Nato allies in urging the Belgian Government to maintain its tentative timetable for the deployment of cruise missiles this year. Page 2

De Lorean 'charges'

A government attorney in Detroit will recommend that a U.S. grand jury indict former car maker John De Lorean on new criminal charges, according to the U.S. trade paper Automotive News.

Austrian threat

The leader of Austria's right-wing Freedom Party threatened to quit the Socialist-led coalition and bring down the Government if Defence Minister Friedhelm Frischenschlager, at the centre of a row about his reception of Nazi war criminal, is dismissed. Page 2

Turkish sentences

A martial law court in Elazig, eastern Turkey, sentenced three members of the extreme left-wing Dev Yol (Revolutionary Way) organisation to death and jailed 28 others for setting up guerrilla units and taking part in armed activities.

Peruvian blasts

At least 11 bombs exploded in the south eastern Peruvian city of Ayacucho, wounding four men and blacking out the city one week before Pope John Paul is due to visit it.

Hostages released

Sudanese rebels handed over to the Ethiopian Government three Europeans and a Kenyan held hostage for nearly a year.

Nato ships attacked

Three grenades were fired at Nato warships anchored in the estuary of the River Tagus at Lisbon, but they exploded short of their targets. Page 2

Vatican warning

The Vatican has told Nicaraguan Foreign Minister Miguel D'Escoto that he must resign from his post within two weeks or leave the priesthood.

Record port

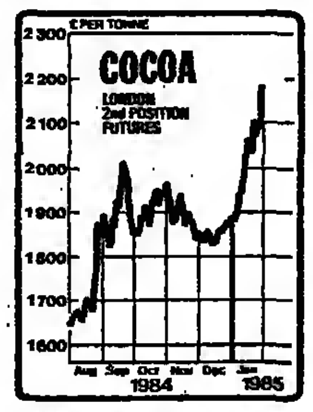
An American paid a record £1,250 ($1,387) at Christie's in London for a bottle of 1931 port wine.

Philips to increase stake in Polygram

PHILIPS, the Dutch electronics group, is buying four fifths of Siemens' stake in Polygram, the records company. Polygram is jointly owned by Philips and Siemens and the deal will lift the Dutch group's stake from 50 per cent to 90 per cent. Siemens will retain n 10 per cent interest in Polygram. Page 18

DOLLAR showed little overall change in London, closing at DM 3.167 (DM 3.166) SwFr 2.662 (SwFr 2.661), FFr 9.68 (FFr 9.685) and Y254.15 (Y253.9). The dollar's exchange index rose to 146.3 from 146.1. Page 35

STERLING gained five points against the dollar in London, closing at $1.111. It was at an all-time low against the D-Mark at DM 3.5175 (DM 3.52); was unchanged at SwFr 2.9575 and improved to FFr 10.7625 (FFr 10.755) and Y282.5 (Y282.0). The pound's exchange index closed at 70.5 from 70.6 previously. Page 35



LONDON COCOA futures surged to their highest level for just over six years encouraged by the firm trend in New York last Friday. The May delivery position closed £87.50 higher at £2,181.5 a tonne after touching £2,197. Page 34

GOLD fell $2 an ounce on the London bullion market to $298.00. It was also lower in Zurich at $297.90. Page 34.

WALL STREET: By 2pm the Dow Jones industrial average was down 5.85 at 1,270.21. Section III

LONDON equities and gilts were depressed by higher interest rates. The FT Ordinary index fell 24.9 to 977.9. Section III

TOKYO: Shares rallied but blue chips were oeglected. The Nikkei-Dow market average was up 62.33 at 11,798.86. Section III

WEST GERMANY achieved a current-account surplus of DM 17.9bn ($5.6bn) last year, the third highest in the country's history. Page 2

SINGAPORE stock exchange is set to wind up Alfa-Pacific Securities, youngest of the market'a 25 member firms, after stepping in to supervise its affairs this month. Page 20

NORWAY'S biggest aluminium producer, Årdal og Sunndal Verk, lifted pre-tax profits last year to a record NKr 1.02bn ($111m) from NKr 165m in 1983. Page 18

UNION CARBIDE, the U.S. chemicals group, took an $18m or 25 cents a share charge in the fourth quarter covering costs "incurred and anticipated" from the toxic gas disaster at Bhopal, India. Page 17

FIAT, Italian motor group, is pumping FFr 1bn ($103m) into Iveco-Unic, its French commercial vehicle subsidiary, to reconstitute its capital in the face of continuing heavy losses. Page 18

AT & T fourth-quarter earnings improved over the disappointing third quarter but full-year net earnings were $1.38bn, barely enough to cover the $1.20 a share full-year dividend. Page 17

BAYERISCHE LANDESBANK, West German bank with a stake in the troubled DAL leasing concern, expects to pay a dividend oo its 1984 earnings as well as building up reserves and risk provisions. Page 18

Lawson under fire as Barclays leads third rise in 17 days

UK lifts interest rates by 2 points to steady pound

BY PHILIP STEPHENS IN LONDON

BRITAIN's banks raised their base lending rates to 14 per cent yesterday, the highest level for three years, as concern over falling oil prices threatened a further slump in sterling's value.

The 2-point rise, the third increase in borrowing costs this month, led Mr Nigel Lawson, the Chancellor of the Exchequer, to hint that the scope for tax cuts in his March 19 budget might be reduced.

Mr Lawson told a House of Commons committee yesterday: "When I come to make the budget judgment, I shall need to take into account all the circumstances which led to today's action."

British financial markets saw the rise as a serious setback to the Conservative Government's economic strategy. It was accompanied by heavy losses for prices of equities and government securities.

The increase will add around £540m ($600m) to British industry's costs over a full year and, if sustained, seems almost certain to prompt a further increase in mortgage rates for home loans, which would have an effect on inflation.

On foreign exchange markets the move succeeded in halting sterling's slide, but signs of disarray among Opec ministers in Geneva made dealers wary of predicting that confidence in the pound had been fully restored.

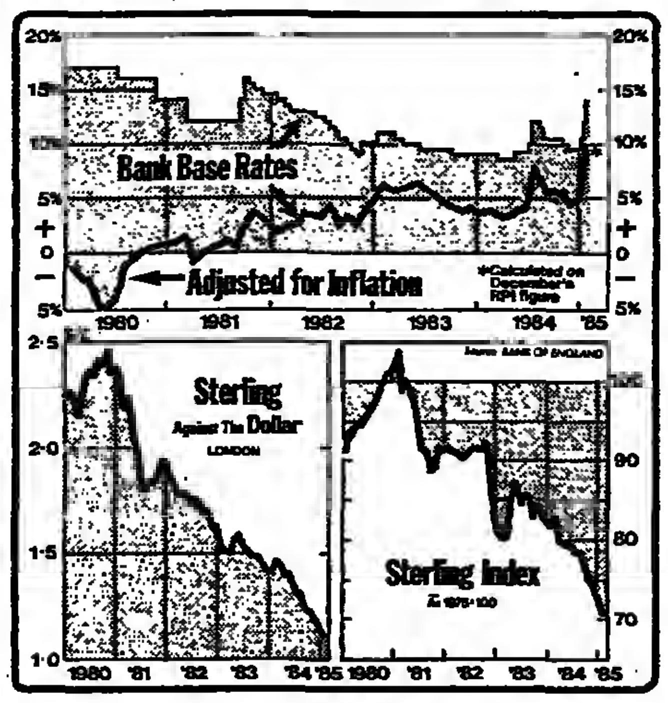
It provoked strong attacks on the Government's economic policy from opposition parties, with Mr Roy Hattersley, the shadow Chancellor and deputy leader of the Labour Party, describing the increase as "a tragedy for households, industry and the unemployed."

Mr David Steel, the Liberal leader, called on Mrs Margaret Thatcher, the Prime Minister, to dismiss Mr Lawson for what he termed "narrow, dogmatic opinions."

The rise was led by Barclays Bank with the approval of the Bank of England after reports of disagreements at the Opec talks sparked heavy speculative selling of sterling, in turn pushing up interest rates on the money markets.

Britain's other leading banks quickly conformed as the central bank authorities publicly endorsed the move by raising their own money market dealing rates.

When rates last went up two weeks ago, the Government clearly signalled the level it wanted to see by reintroducing minimum lending rate for one day at 12 per cent.



Yesterday, however, the Government apparently felt that although another 2-point increase was inevitable, it did not wish to be seen taking the lead in pushing rates up to a level it regards as unjustified by domestic conditions.

Sterling, which bad fallen as low as $1.1060, initially rose by oearly a cent, but then fell back to close at $1.1110, 5 points up from Friday.

The sterling index ended 0.1 points lower at 70.5, but was above its all-time low of 70.3 in early dealings.

Dealers said that trading remained highly nervous ahead of a conclusive outcome to the Opec talks, and the Bank of England had intervened with small dollar sales to keep the pound steady.

There was no sign, however, of any concerted central bank intervention to support the pound. Earlier this month the leading industrial nations agreed to intervene jointly against speculative surges in the dollar's value, but yesterday's events were seen as reflecting sterling's weakness rather than the dollar's strength.

The view in London markets last night was that interest rates might have to stay at their present levels for some time if the Government were to restore confidence in financial markets, particularly since many industry specialists are predicting further falls in oil prices.

The rise in rates was also seen as

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Oil ministers tackle price differentials

BY DOMINIC LAWSON IN GENEVA

NEW PROPOSALS for tackling the vexed questioo of oil price differentials were being discussed in Geneva last night by Ministers of the Organisation of Petroleum Exporting Countries (Opec).

Those represented some progress in crucial negotiations that were stalled earlier in the day by an angry clash between Professor Tam David-West, the Nigerian Oil Minister, and Dr Mana Saeed Otaiba, his United Arab Emirates counterpart. Dr Otaiba stormed out of the meeting after pointed criticism by Professor David-West of ministers who leaked the results of Opec committee meetings to the press.

As he headed for his botel suite, Dr Otaiba savagely accused Nigeria of "stabbing Opec in the back." Lagos was undermining prices, Dr Otaiba said, and producing 250,000 barrels a day (b/d) more than its permitted quota under Opec's 16m b/d productioo ceiling.

While illustrative of the immense tensions building up within Opec during the last few months, the incideot did not prevent behind-the-scenes discussions on a proposal for new price differentials. That was brought to the formal meeting when it was resumed in the late afternoon and given a more thorough examinatioo in bilateral contacts between ministers last night.

The plan aims at a maximum price differential between light and heavy crudes of $2.25 compared with the present $4. Light African crudes, currently priced at up to $30.50 a barrel, would be cut to $28.65, while Arabian Heavy would be reduced from $26.50 to $26.40. The $29 Opec marker price for Arabian Light would fall by at least $1.

This plan was said to have the backing of Saudi Arabia and Kuwait but, typically for an Opec meeting, several other rival proposals were also being promoted.

The virtue of the proposed $2.25 differential is that it would bring Opec crudes into line with the last official price agreed by the British National Oil Corporation. The Mexican Minister, Sr Francisco Labastida Ochoa, has disclosed that, during a private meeting last Thursday, Mr Peter Walker, the UK Energy Minister, indicated that he wanted to keep the UK official price at around $28.65 rather than let it fall to current spot market levels.

In Whitehall last night, tha official gloss was that Britain favoured "stable oil prices."

Dr Otaiba, having recovered his composure, said in an interview on British television's Channel Four last night that his dispute with the Nigerian Minister had been "a misunderstanding." Professor David-West, accompanied by Saudi Arabia's Sheikh Yamani, bad come to his hotel suite "and apologised."

Unity within Opec remaioed "the most important thing," Dr Otaiba said. Another taut view of the day's events, however, was given last night by the Egyptian Minister, Mr Abdel Kandil, who was attending the meeting as an observer. Mr Kandil, saying be was leaving Geneva because his time was being wasted, warned that Egypt might reverse its policy of toeing the Opec line and return to independent pricing.

A further unhappy ingredieot to the geoeral atmospbere was provided by Opec's refusal to give accreditation yesterday to Mr Youssef Ibrahim, wbo has reported on the organisatioo for many years for the Wall Street Journal.

Exception was taken to an article he wrote last week describing the extravagant tastes of some Opec Ministers. In protest at Mr Ibrahim's exclusion, all the British and many other journalists refused to wear their accreditation badges to the opening press conference, and were consequently refused admission.

Ian Hargreaves in London writes: Nervous oil markets, buffeted by the news of public disagreements and then apparent reconciliations among Opec Ministers, were sharply lower in early trading, but later recovered some of the lost ground.

North Sea Brent bleod, for February loading, was down about 20 cents a barrel at $26.80, and Arabian Light traded around $27.60 – down 7 cents on the day and $1.40 below the official Opec price.

American markets were especially weak, with futures positions for crude contracts oo the New York Mercantile Exchange falling between 40 cents and 70 cents a barrel in early trading. The spot price of West Texas Intermediate, the key U.S. crude and a direct competitor for Brent and the light African crudes, traded well below $25 a barrel in the $24.70 to $27.80 range.

Product prices were also weak especially gasoil, which is suffering from a reduction in demand caused by a break in the cold weather.

Price doubts may force Algeria's hand, Page 3; Commodities, Page 34

Shares and gilts fall in London

BY ALEXANDER NICOLL IN LONDON

THE LONDON stock market yesterday suffered one of its worst days on record, with leading prices down 4.4 per cent at one stage. By the close, however, its recent optimism was again showing through, with share and gilt prices rallying from their lows.

The FT Ordinary index of 30 blue-chip shares fell more than 26 points in initial dealings and, after news of the base rate rise led by Barclays Bank, slumped in chaotic trading to 958.7, down 44.1 points – the largest ever drop in terms of points.

The late rally brought the index back to 977.9, down 24.9, still one of the largest daily falls in points terms. However, the lofty level of the index – it breached the 1,000 mark for the first time 11 days ago – means that big swings in numbers are relatively small in percentage terms.

In rising to recent record levels, share prices have been shrugging off interest rate rises and sterling's fall. That attitude was dealt a hefty blow yesterday by the unexpectedly large rate increase and by its failure to give significant support to the pound amid continuing uncertainty about the Opec meeting in Geneva.

The implications of the rise in bank base rates since last Monday for corporate profits and dividends "appear to signal the end of the froth for the moment," said Mr Kenneth Inglis of stockbrokers Phillips & Drew.

"The whole background for smokestack Britain looks distinctly difficult," he said.

Other brokers forecast a calming of the speculative fever which has pushed up share prices of many companies considered to be potential takeover targets, since the rising cost of money makes speculative positions difficult to finance.

The volatility of the equity market was paralleled in the government bond market, with prices marked down sharply during the morning and dropping over four points in early afternoon after Barclay's announcement.

A suspension of trading in gilts – a measure normally taken by stockjobbers after an important development – lasted for about 45 minutes, some 15 minutes longer than usual, as jobbers sought to find the market's level. When trading resumed, prices were quoted with wide spreads between bid and offered levels.

"The market was very sick within the first half-hour of trading," one gilt dealer said. A rise in interbank

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Banks plan to make cash cards compatible throughout Europe

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

A SHORTAGE of ready cash might soon be a thing of the past for travellers in Europe.

Banks from 17 countries have agreed to bridge the technological frontiers between their payments systems so that they can talk to each other. That will open the way for travellers to use a single plastic card to obtain cash from bank machines virtually anywhere in Europe and for cards from Europe's three main payments systems to be interchangeable.

The new link should also benefit U.S. travellers in Europe who hold Visa or MasterCards from their home banks that work in European machines. Some European-issued cards already activate cash machines in the U.S.

Mr John Brooks, deputy chief executive of Britain's Midland Bank and president of the European Council for Payment Systems, said yesterday that the aim was to achieve the link by next January 1.

It was important that "progress for those who wish to come together is not hampered by technological incompatibility," he told a meeting of bankers in Madrid.

> Ten banks and financial institutions in the UK have banded together to investigate and develop intelligent financial computer systems, capable of estimating risk and giving reasoned advice about prospective investments. Page 12

Europe has three leading payments systems. Two are based on the biggest credit card networks: Visa (which includes Barclaycard and Carte Bleue), and Eurocard (Access and MasterCard). The third is operated by Eurocheque, the association of European banks, which offers uniform credit cards and cheques.

Each group has taken some steps of its own towards international compatibility. British holders of Eurocheque cards, for example, can already get cash from machines in Spain and that facility will apply in several other countries later this year. Visa and Eurocard have also both developed reciprocal facilities.

Yesterday's announcement means that efforts will now begin to tie the three groups together so that the cards will become fully interchangeable.

Apart from enabling people to get cash from machines, the new network should also form the basis for an international cashless shopping system. Shoppers should be able to pay for goods abroad by wiping their cards through electronic terminals that will instantly debit their bank accounts back home.

However, the facility, known as Eftpos (electronic funds transfer at point of sale) is at an earlier stage of development than cash machines and will not, initially, be as widely available.

The European Council for Payment Systems was formed in 1978 to improve technical co-operation between European banks. Its members include all West European countries from Scandinavia to Greece, except Yugoslavia and Iceland.

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EUROPEAN NEWS

Threat to Austrian coalition as Nazi furore deepens

VIENNA – The leader of Austria's right-wing Freedom Party (FPO) *threatened yesterday to quit the* Socialist-led coalition and bring down the Government if Dr Friedhelm Frischenschlager, the Defence-Minister at the centre of a row about his reception of a Nazi war criminal sent back to Austria, is dismissed.

Vice-Chancellor Norbert Steger said: "If Frischenschlager resigns it would be the end of this government because my ministers would resign as well."

Dr Frischenschlager was flying back to Austria tonight after Chancellor Fred Sinowatz asked him to cut short an official visit to Egypt to attend tomorrow's weekly cabinet meeting.

Dr Frischenschlager welcomed former SS Major Walter Reder when he arrived in Austria last Thursday after his surprise release from jail in Italy and accompanied him to a military hospital.

Reder, imprisoned for his role in a massacre of 600 people in the north Italian town of Marzabotto in 1944, was due to be set free next July. Austria had been pressing for his early release and the Italian move has been praised as humanitarian.

Dr Frischenschlager has rejected calls for his resignation, saying he met and accompanied Reder to en-

Dr Fred Sinowatz

Criticism of his action has come from all sides, including from within his own right-wing Freedom Party (FPO), the junior partner in the Socialist-led coalition.

He will face a vote of no confidence at an extraordinary session of parliament to be convened next Friday.

Chancellor Sinowatz himself said Dr Frischenschlager had committed a "grave political mistake" and demanded a full report on the incident. Defence Ministry sources said this would probably be presented at the cabinet meeting.

Dr Sinowatz will not comment further until he has seen the report.

Reuter

Spain near target on price increases

By David White in Madrid

THE SPANISH Socialist Government came unexpectedly close to its prices target last year, the first of single-figure inflation the country has seen since the end of the Franco era and the re-establishment of democracy.

It said the result would exert a "great psychological impact" on the round of wage negotiations which are due to start in different sectors, on consumers and on business optimism.

The official 9 per cent rise in the cost of living index is the lowest recorded in Spain since 1972, and marks the sixth successive year in which prices have slowed, after peaking at more than 26 per cent in 1977.

The result, a half-point lower than the Government was recently predicting, compares with an initial target of 8 per cent and the previous year's increase of 12.2 per cent.

Finance Ministry officials said a falling trend in the past five months of 1984 augured well for a further reduction this year, ahead of Spain's hoped-for entry into the EEC.

The announcement coincided with final trade statistics for the year, which confirmed a sharp 20 per cent rise in exports in dollar terms to $23.64bn (£21.3bn). Imports in dollar terms fell by just over 1 per cent to $28.86bn, bringing the year's deficit, to $5.22bn, a 45 per cent reduction.

The Government recently announced a surplus of around $2bn in the current account of the balance of payments, following a $2.5bn shortfall in 1983. This turnaround reflects higher tourist earnings, as well as the surge in exports, both largely due to currency factors.

West German car industry faces hours cut

BY JOHN DAVIES IN FRANKFURT

WEST GERMAN car workers face the threat of short-time working in the near future because of a drop in orders for new cars, according to IG Metall, the metalworkers' union.

Motor industry executives are also concerned about the trend in domestic orders over the past few months, but have been hoping for a recovery and have so far discounted suggestions of short-time working.

The drop in orders is attributed to uncertainty arising from the Government's plan to tighten exhaust emission controls in West Germany.

IG Metall, which includes motor-workers among its 2.5m members, says that no car manufacturer has yet scaled down production, partly because of strong exports. But if the trend in domestic orders continues for another "few weeks or months," the industry will have an employment crisis which could work through to supplier industries, such as steel, it claims.

Herr Kurt Golda, union chief at BMW, says: "Once the first factory brings in short-time working, it'll happen all over the place." The union claims that thousands of new jobs have already been lost because some companies have been reluctant to implement plans to take on more workers.

IG Metall blames both the Bonn Government and the car industry for unsettling the market, claiming they have mishandled the emission control controversy.

The industry, however, feels that the Government—and particularly Herr Friedrich Zimmermann, the Interior Minister—has put forward plans without properly consulting it and without full regard for the consequences.

The minister, for his part, has been anxious to take action on environmental pollution, which has become a highly emotional political issue.

The Government decided last September that it would require all new cars to meet U.S. emission standards by the beginning of 1989—and larger cars a year earlier. Herr Zimmermann was obliged to abandon his earlier plan to insist on tighter controls from 1986.

Bonn has opted for a complicated array of tax incentives to encourage motorists to buy "environment-friendly" cars before the target date or to adapt existing cars to more stringent pollution controls.

The whole debate, however, is overshadowed by the attitude of West Germany's partners in the European Community. The French and the Italians have voiced opposition and the West Germans are marshalling all their powers of persuasion to try to obtain some consensus.

The weaker domestic car market has mainly affected mass production makers and Daimler-Benz has been a notable exception, according to both the company and union representatives.

Ford, which has been making vigorous efforts to boost sales, has voiced its concern about the likely trend. Mr Daniel Goeudevert, the chief executive, says this year will be "particularly difficult," not only for West German producers but also for others in Europe.

The European industry has over-capacity, the market is being distorted by subsidies in some countries and profits are unsatisfactory, he says.

In West Germany the number of new cars registered last year fell 1.4 per cent to 2.39m, but the market was disrupted by the lack of local supplies during the seven-week strike over shorter working hours.

CURRENT ACCOUNT SURPLUS AT ALMOST DM 18bn

A RECORD performance in in foreign trade helped West Germany to a current account surplus of DM 17.9bn (£5bn) last year, the third highest in the country's history, writes Rupert Cornwell in Bonn.

Final 1984 figures released yesterday by the Federal Statistics Office show that December produced a trade surplus of DM 6.1bn, after one in November of almost DM 7bn — making a total annual surplus of DM 53.99bn, compared with DM 42.1bn in 1983.

Overall exports last year jumped to DM 488.2bn from DM 432.3bn in 1983, while imports grew from DM 390.19bn to DM 432.2bn.

The prospects for this year are for more of the same. Largely thanks to the strength of the U.S. dollar and an undervalued D-Mark, company order books for foreign customers have risen sharply.

The very low inflation rate (currently around 2 per cent) is also making West German goods particularly competitive abroad.

The 1984 surplus on current account, which also comprises tourist spending, immigrant worker remittances and Bonn's payments to the EEC, compares with one of DM 10.1bn the previous year. The surging trade performance was mainly responsible for the improvement.

The Socialists are turning back to the three Rs reports **David Housego** in Paris

Normale approach to French ecoles

THE MOST improbable of the U-turns carried out by France's *Socialist Administration* will be formally endorsed by the Cabinet tomorrow, when M. Jean-Pierre Chevenement, the flamboyant left wing Minister for Education, will win approval for a reform of the primary school curriculum.

This will put back the emphasis on the acquiring of knowledge as the main task of the classroom in contrast to the existing priority of stirring a child's curiousity.

The change is part of a conservative revolution that M. Chevenement is carrying through in the French school system to reinstate the classical virtues of "merit, effort and patriotism," a triad which could just as well be the motto of Sir Keith Joseph, the Right-wing British Minister of Education.

French parents and teachers are for the most part delighted. M. Chevenement, who was castigated by industrialists for being too interventionist as Minister of Industry, is now being acclaimed on the Right as one of the best Education Ministers France has had in years.

Progressive educationists and many of M. Chevenement's friends in the Socialist party including M Alain Savary, the former Minister, are horrified. M. Savary said icily that "a conservative wind is sweeping much of the Western world . . . but it is blowing with more gusto in France than in neighbouring countries."

M Louis Legrand, the champion of Freudian ideas of child development in French educational thinking and of the schools' role in offsetting the handicaps of a deprived environment, calls M Chevenement's plans "a step backward of 50 years."

The Cabinet meeting will approve curriculum changes, defining the minimum knowledge that every child must have acquired in the major subjects by the time he leaves primary school at the age of 11. In French, for example, this will include the reading and comprehension of a text, the writing of a short piece of narrative and the memorising of some poems. Children will thus be required to have mastered the elements of grammar and spelling.

In history, the emphasis will again be on *knowing the major* dates in French history as well as some of the key events in European history—an approach cherished by President Francois Mitterrand, who has complained that children are ignorant of their country's past.

In geography, they will be required to place on a blank map the main rivers, mountains, towns, industrial and agricultural regions of France. This emphasis on learning the basic facts will replace the current treatment of the subjects through themes such as transport or food.

Two new groups of subjects are being added. Civic education will return to the curriculum to ensure that primary school children know the fundamentals of the law, the distinction between the legislative, executive and judicial arms of government and that they have a basic understanding of how the Administration works.

They will also be given their first introduction to technology, biology, physics and astronomy so that they have more idea of the world around them.

Dropped from the new curriculum will be one of the major pillars of existing primary school studies—the section called "awakening" in which the goal was less to transmit knowledge than to stir a child's interest in his environment or in science, often through visits to *factories or museums*.

"We found that it was not sufficiently effective," says M. Georges Laforest, a close assistant of M Chevenement at the Ministry of Education.

Also abandoned is much of the emphasis on decentralisation that marked M Savary's tenure as Minister. The new curriculum will come into force in all primary schools, both public and private, on September 9 when the new school year begins. Teachers will have freedom to chose their teaching methods—so long as they cover the ground demanded. M Laforest thinks teachers will have no problem in adapting because they prefer to have curriculum objectives spelled out.

Three main factors lie behind what M Laforest concedes is a return to "conservative values" in the schoolroom and to a "republican and *nationalist*" view of education.

The demonstration in June by 1.5m parents, who marched through Paris in protest at Government plans to amalgamate the private schools with the state system, revealed widespread discontent with the level of education in state schools.

This was accompanied by the publication of a cluster of books with titles like "The Massacre of the Innocents" that also reflected parents' disquiet that children were leaving primary school half-illiterate.

The second factor is that M Chevenement's spell as Minister of Industry and Research convinced him that France was lagging behind in the number of trained people needed in an increasingly technologically-orientated world. As he sees it, the first step in producing more qualified secondary school students and graduates is to improve the level of primary education.

The final factor is that the sharp increase in the number of unemployed to over 2.5m has brought home to the Government the importance of training if they are to be found jobs.

The combination of the three factors means that the Government has tacitly abandoned the crusade for a unified state school system that marked its first years in power in favour of a new crusade to improve educational standards. Senior Socialists say this will be the "major task" of the second half of M Mitterrand's Presidency.

M Chevenement is not a bit abashed at being denounced as "elitist" by some of his Socialist colleagues on account of his policies. A product himself of France's elite Ecole Normale d'Administration (Ena) he describes his reforms as republican. "I am in favour," *he says*, "of *conserving* the values which have been the strength of the state school system—a taste for knowledge, intellectual curiosity, the effort and work needed to learn . . ."

Later he intends to impose similar changes in the comprehensive schools—the colleges which take French children up to the ages of 14 or 15—and eventually on the lycees. The emphasis will be on making children learn more, and above all on familiarising them with the world of computers and advanced technology with which they will increasingly have to cope.

At the same time, the tests and examinations which had been increasingly dropped as putting too much stress on competition and giving children a sense of failure, are to be reinstated.

In short, France is saying farewell to the carefree classroom days that followed the student revolt of May 1968. But few had expected that it would be the Socialists—and least of all M *Chevenement—who would bring* down the curtain.

Primary education in France is to change emphasis towards basic facts, literacy and numeracy, following strong parental protests. The change, under a Socialist Government, has provoked controversy especially from the Left.

M Chevenement . . . the best Education Minister for years, according to some

Brussels outlines ideas on easing border rules

BY PAUL CHEESERIGHT IN BRUSSELS

PROPOSALS TO make it easier for EEC citizens to pass from one country to another within the Community have been given a cardial political response but a cautious technical appraisal by officials of the Ten.

The officials yesterday had their first look at a Commission proposal for a directive to abolish customs and immigration formalities at national borders within the Community while leaving scope for spot checks.

Although there are no insurmountable customs problems, more work will need to be done on the immigration side of the proposal, diplomats said after the meeting.

Technical discussion seems likely to make it impossible to meet the deadline of June 30 for final decisions, laid down at the EEC's Fontainbleau summit of June 1984.

The proposals are based on the example established by France and West Germany in freeing up their land frontier.

However, worries persist about a means of verifying whether those who cross a frontier are Community nationals. This is particularly the case for the UK which carries out checkins only at points of entry and then allows freedom of movement.

The Commission proposal suggests the ability to carry out *spot checks on identity within* 15 km either side of a frontier. But in Britain, carrying identification is not obligatory, contrary to the habit in most continental countries.

At the customs level, there is concern about devising a means for declaration for buses and coaches, although this is not seen as an intractable problem.

For political reasons the Ten are anxious to pass measures quickly which will make the EEC a practical reality for its citizens. The proposals for easier movement across frontiers fit into this category.

Officials are anxious that the obligations taken on at the Fontainbleau summit should be met. But there is a committee devising a programme for bringing into effect what has been called "People's Europe."

It is not expected to report until the middle of the year.

Way clear for Lisbon loan talks

By Diana Smith in Lisbon

APPROVAL BY Parliament of this year's Portuguese budget has paved the way for the start of negotiations over the Republic of Portugal borrowing.

Bank of Portugal officials who handle the Republic's annual loans, have been annual loans, have been awaiting parliamentary approval on the controversial budget with its record Esc 350bn (£1.8bn) deficit in order to begin talks with larger international banks.

The budget provides for $600m net new foreign borrowing this year. In recent years, the Bank of Portugal has diversified the Republic's borrowing, tapping Japanese bond and currency markets as well as traditional Eurodollar sources.

The budget was seriously delayed because of internal friction in Sr Mario Soares centre-left coalition cabinet last autumn. Lengthy disputes between Socialists, Social Democrat and independent ministers over allocation of sparse funds prevented the budget being put before Parliament by October, the constitutional deadline.

The budget also came in for acrimonious criticism by Opposition parties in parliament in the four days it was debated there last week.

But the Government held to its argument that the critical pass to which Portugal was brought in 1982, after two years of huge foreign borrowing and lax attitudes to excessive public and private spending, had to be corrected by 18 months of austerity and only modest relation in 1985.

The target for economic growth this year is 3 per cent, after a 1.6 per cent decline in 1984.

● Responsibility for the explosion early on Monday morning of mortar shells in the River Tagus close to Nato vessels moored at Lisbon's Rocha do Conde de Obidos docks has been attributed to the FP-25, an urban guerrilla group.

The shells, apparently fired from gardens on a hill overlooking the docks did no damage. Late last year, the FP-25 claimed responsibility for mortar damage to apartment buildings near Nato's Iberian Command Headquarters at Oeiras on the outskirts of Lisbon, and for similar damage to cars

Keep to cruise timetable Britain urges Belgium

BY QUENTIN PEEL

BRITAIN yesterday added its weight to that of the U.S. and other Nato allies in urging the Belgian Government to maintain its tentative timetable for the deployment of cruise missiles this year, despite growing domestic opposition.

Sir Geoffrey Howe, British Foreign Secretary, met his Belgian counterpart, Mr Leo Tindemans, in Brussels, and repeated the British belief in the "twin-track" Nato decision to deploy the missiles while pursuing arms talks with the Soviet Union.

The meeting was held at Mr Tindemans' request as part of a series of consultations with Nato allies, as the Belgian Government seeks to find a politically acceptable way of maintaining its defence commitment.

Sir Geoffrey also met Lord Carrington, the Nato Secretary-General, yesterday morning, and Mr Hans van der Broek, Dutch Foreign Minister.

Sir Geoffrey maintained that Nato solidarity was a major reason why the Soviet Union had agreed to reopen arms talks with the U.S., but he expected the talks to be a long process.

"I emphasised the British Government's belief that, in the absence of a negotiated agreement limiting the Intermediate Nuclear Force (INF) in Europe, Nato, and particularly those allies such as the UK and Belgium which have agreed to base INF systems in their countries, should stick to the timetable for deployment," he said later.

Belgium agreed in 1981 on a military timetable to start deployment from March this year, but made this subject to consultations with other Nato members, and a subsequent political decision in Belgium.

Mr Wilfried Martens, the Belgium Prime Minister, has now said that decision will be made by the end of March.

East bloc proposals likely as security talks resume

BY DAVID BROWN IN STOCKHOLM

THE 35-NATION European Security Conference reconvenes in Stockholm today for the start of substantive negotiations.

However, despite improving East-West relations there are still serious differences in the negotiating positions of Nato and the Warsaw Pact.

Western delegates expect the Eastern bloc to table a draft treaty at today's plenary session calling, among other things, for a mutual renunciation of the use of military force. This could open the way for more detailed counter-proposals from the West.

Warsaw Pact proposals have stressed such declaratory measures as a ban on chemical weapons, a renunciation of the first-use of nuclear weapons and constraints on military spending.

Nato has strenuously opposed these ideas in favour of more substantive measures such as *observation* and *notification of* troop movements, as well as means for verification.

However, it was only last December, nearly a year after the Stockholm talks opened, that the two sides broke their deadlock over working procedures and began tentative discussions on proposals designed to limit the risk of surprise attack and war in Europe — the so-called confidence building measures which the conference was designed to produce.

In a conciliatory speech last June, President Ronald Reagan said Nato might be prepared to discuss the Soviet demand for a renunciation of the use of force. The remaining proposals were not negotiable, however.

It has been suggested that a partial agreement, based on relatively uncontroversial ideas contained to varying degrees in all official proposals, might be patched together before the tenth anniversary in August of the 1975 Helsinki Agreement.

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Reagan to visit West Germany in May

By Rupert Cornwell in Bonn

PRESIDENT Ronald Reagan will make a four day state visit to West Germany between May 5 and 8. His visit will start immediately after the seven nation economic summit here and end on the 40th anniversary of the Nazi capitulation in 1945.

Exact details of his stay have not been released, partly because plans have not yet been finalised, and partly for security reasons in view of the upsurge in far left terrorist activity here.

However, Washington has already confirmed that Mr Reagan will not be visiting the former concentration camp at Dachau near Munich. Nor is it expected that he will go to Berlin, whose divided status, under four power rule, is the most enduring symbol of German defeat.

Disputes about Bulgaria's Turks dog attempts at better relations

BY DAVID BARCHARD IN ANKARA

THREE TURKISH journalists, attempting to investigate alleged persecution of the large Turkish minority in Bulgaria, have been expelled from that country.

At the same time, Mr Vahit Vahit Halefoglu, Turkey's Minister of Foreign Affairs, said in an interview with the Istanbul daily newspaper, Milliyet, that Turkey had taken up claims of repression against ethnic Turks "at the highest levels" and felt seriously concerned about the situation.

There are more than 800,000 ethnic Turks in Bulgaria, making them the largest minority population in the eastern Mediterranean. Antipathy against them by the Bulgarian authorities has repeatedly strained Turkish-Bulgarian relations since the early 1950s when the Bulgarians expelled several tens of thousands.

Subsequently there has been steady migration from Bulgaria to Turkey, apparently as part of an attempt to reduce the numbers of the minority which is close to a tenth of Bulgaria's population.

Despite this, a high birthrate has kept numbers well up and the Bulgarian authorities have maintained a steady policy of assimilation.

What triggered the latest row between Turkey and Bulgaria were unconfirmed reports earlier this month that up to 14 Turks had been killed in clashes with the authorities after they had objected to a policy of forcible Bulgarianisation. The authorities in Sofia have refused comment on the reports.

Letters and messages from the Turkish minority to relatives in Turkey claim that Bulgarian Turks are being forced to change their names on new personal identity cards being issued. Mr Rauf Tamer, a writer in the nationalist daily newspaper, Tercuman, last week claimed that Islamic practices, including circumcision, were being forbidden. He also said that ethnic Turks were denied their own schools and promotion in the civil service.

Last week, the Bulgarians warned that Turkish tourists would not be welcome in the country and could not expect hotel rooms and other services.

The announcement was a serious blow to Turks who travel there regularly, not only in transit to Western Europe, but also for holidays and winter sports.

The latest flare-up is a severe disappointment to Turkey which has been trying to mend its relations with Bulgaria.

Czechoslovakian recovery gathers pace

By David Buchan

RECOVERY in the Czechoslovak economy, which began in 1983, accelerated last year, according to official figures issued in Prague yesterday. These showed a 3.2 per cent increase in gross national income, compared to 2.7 per cent in 1983.

Industrial output last year rose by 3.9 per cent and agricultural production, due to a record 12m tonnes grain harvest, by 3.6 per cent, the federal statistics office said. A commentary by the Ceteka news agency said, however, that while exports to the West increased 3.6 per cent, they were still too weighted towards raw materials and low technology rather than quality engineering goods.

But since 1980 Czechoslovakia has run a hard currency trade surplus, estimated by Western analysts at some $800m last year. It has used these convertible currency balances both to reduce its gross foreign debt

Fury gives way to hope at World Jewish Congress

BY PATRICK BLUM IN VIENNA

THE REVELATION by Mr Edgar Bronfman, a leading Canadian businessman, that he is to be the first president of the World Jewish Congress to visit the Soviet Union, has set the seal on an extraordinary meeting of the Congress' governing board here.

The conference opened in high fury when it was learned that Dr Friedhelm Frischenschlager, the Austrian Defence Minister, had personally welcomed war criminal and former SS officer Walter Reder on his return to Austria.

Tempers were calmed only by a personal apology from Dr Fred Sinowatz, the Austrian Chancellor, whose coalition government has been plunged into a bitter domestic political row by the Reder affair.

The mood at the Congress yesterday was one of bubbling anticipation when it was learned that Mr Bronfman, the chairman of Seagram, the Canadian distilling company, had accepted an open invitation to go to Moscow which was first extended to him shortly before the death of the late Soviet leader, Mr Leonid Brezhnev.

Mr Bronfman sought yesterday to dampen over-optimistic expectations. "I won't believe that I am talking about Jewish affairs in Moscow until I am there," he told delegates.

He would be going both as s businessman and president of the Congress and hoped that his visit would signal the "start of a process to alleviate the plight of Jews in the Soviet Union." He said he would also be expressing concern about the fates of Mr Anatoli Shcharansky, the Jewish dissident, and of physicist, Dr Andrei Sakharov.

Mr Bronfman was elected president of the Congress in January 1981 and thus leader of the largest world-wide Jewish organisation. Founded in 1936 to mobilise the Jewish people against the Nazi threat, the Congress has grown into a federation of Jewish communities and organisations in 68 countries.

It has no Soviet and very few Arab affiliates but Jewish communities in Hungary, Romania and Yugoslavia belong to the Congress. Jews from Bulgaria, Czechoslovakia, East Germany and Poland send observers only.

American Jewry provides the Congress's largest section, with 30 affiliated organisations. Financing is provided by levies on affiliates and donations from individuals and companies.

Its main aims are to secure and defend the rights and interests of Jews, to intensify the bonds of world Jewry with Israel, and to act on behalf of Jewish communities before governments and international bodies. Membership of the Congress is open to all representatives of Jewish groups or communities irrespective of the government or the social, political and economic system prevailing in their country.

The Congress holds a plenary meeting every five years, the last one was in Jerusalem in 1981, and its governing board of around 200 delegates meets every two years.

Mr Shimon Peres, the Israeli Prime Minister, injected a further element of surprise into the Congress's proceedings yesterday when, during a televised link-up with the meeting, he revealed that he will be visiting Romania within the next few days. Romania is the only country in the Soviet bloc which has diplomatic relations with Israel.

It will be Mr Peres's first visit to there as Prime Minister. He said he was looking forward to meeting President Nicolae Ceausescu, but gave no details of what he would be discussing. He hoped that it would help efforts to achieve a "bigger piece of peace."

Mr Peres also welcomed news of Mr Bronfman's trip to the Soviet Union. "There are still many Jews in Soviet Russia and some of the Eastern countries," he said.

"We have never given up the hope that the gates of Russia can be re-opened, and our brothers, the Jewish people, will regain a chance to come back to their homeland to regain their way of life."

Hopes raised of halting slide in Lebanese pound

BY RICHARD JOHNS IN BEIRUT

HOPES were raised yesterday that a serious Lebanese political crisis and a break-up of the present government eould he averted when Dr Selim Hoss, Minister of Educetion and Lahour, agreed to attend a cabinet session rescheduled for the evening.

It was not clear whether the respected Snuni Moslem end former prime minister had formally withdrawn the resignation submitted in writing at the weekend. Bnt et least his decision to join the session originally scheduled for Sunday but poatponed because of hls move made it possible to reconvene the meeting called to discuss the country's economic deterloration and tha elump in the valua of the Lehanese pound.

His apparent chenge of heart was partly responsible for the recovery of the Lehanese pound which closed at 10.65 against the dollar compared with an opening rate of 10.95-11. But informal agreement among Beirut's 100 hanks not to speculate, which was reached on Sunday, also contrlhuted significantly to the stabilisetion.

A low point was reached on Friday when the hettered pound fell for the first time to 12 to the dollar. There were reported to be buyers prepared to pay 13 to tha dollar before banks suspended dealings and the emergancy cabinet session was called. There was a revival in limited trading on Saturday.

Dr Hoss assented to attend a cabinet session after a long meeting with a group of leading Sunni politicians and Mr Husseln al Husseini, the Speaker of the National Assembly, who is a Shi'ite. He has been bitter in his private criticism of the failure nf President Amin Gemayel, Mr Rashid Harami, the Prime Minister, and other members of the cahinet such es Mr Camille Chamoun, the Finance Minister, for their failnre to agree upon measures to ensure minimal security end halt the economic deterioration.

● Guerrillas attacked Israeli troops and their South Lebanese Army militia allies twice during the night, Israeli military sources said yesterday, Reuter reports from Tel Aviv. No casualties were reported.

On Sunday there were five attacks on Israeli and militia positions and security officials say increased attacks are expected until Febraury 18, when Israel is to complete the first stage of its pllback from the western sector.

Israeli troops yesterday sealed off south Lebanon to Beirut-based reporters as security officials in the region said Israelis bad fired on a carload of eight children, killing a three-yeer-old girl.

Tha Israelis have suffered 92 attacks throughout south Lebanon this month and their militia allies have come under ettack 60 times, security sources said.

Taba talks progress slow

BY DAVID LENNON IN TEL AVIV

EGYPT AND ISRAEL failed to make any substantive progress yesterday towards resolving their territorial dispute over Taba, a one-square-kilometre holiday resort on the Sinai's Red Sea coast.

The negotiations, which began on Sunday, are the first for two years. Despite a friendly atmosphere, the basic disagreement over policing of the disputed area, claimed by both countries, remains unchanged.

Israel runs a hotel and holiday village on the site which it refused to hand over to Egypt when it completed the withdrawal of its forces from the rest of Sinai in April 1982.

Israel wants its border police units to continue to police Taba. Egypt wants law and order to be taken over hy the Multinational Force and Observers (MFO), a largely U.S. force involved in peecekeeping in Sinai.

The Egyptian and Israeli teams have exchanged formulae end working pepers on ways of solving tha dispute. But there was little sign of any narowing of the gap between their respective positions.

Iraqis start attack on Iranian positions

By Michael Field in London and Kathleen Evans in Dubai

THE IRAQI Government said yesterday that its army had launched an offensive against Iranian positions elose to the town of Basra near oil-rich territory occupied by Iranian forces. It was nnt elear from early reports whether the offensive was on Iranian or Iraqi territory.

The area in which the atack has been made is a corridor of about 70 km between two areas of marshland and is the only part of the front in the south of the country in which military operations are practieable.

Iraqi reports said that their forces had occupied the positions they had attacked and inflicted heavy losses on the Iranians. The Iranian Government has acknowledged the attack but claims to have repulsed it, inflicting heavy casualties on the Iraqis.

The Iraqis say that their attack, the first for two years, is intended to pre-empt a major Iranian assault. There have been reports of Iran massing hundreds of thousands of troops in the southern area for several weeks.

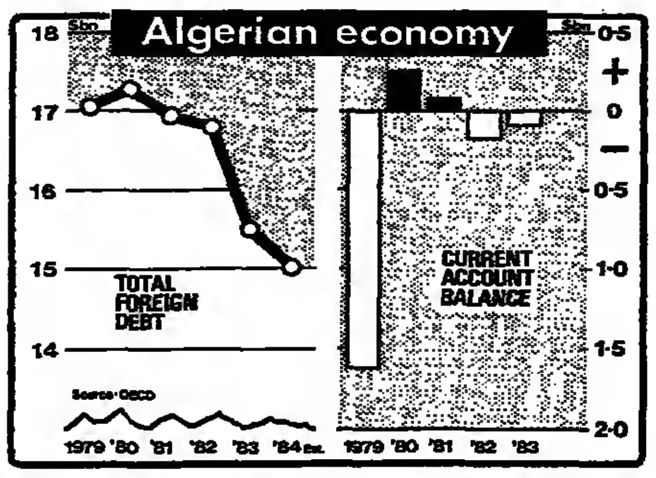
The timing of the offensive seems designed to embarass Iran, which in the next few days begins a celebration known as the Ten Day Dawn, marking the period in 1979 between the return of the Ayatollah Khomeini to Tehran and the final collapse of the Shah's regime.

It may also be that the Iraqis are trying to take Iranian territory in order to increase the flow of water into the 2km wide canal they have been building close to their frontier north of Basra.

In the naval theatre of operations, initial reports of the Iranian navy attacking a Greek tanker between Saudi Arabia and Kuwait on Sunday are now discounted in the Gnlf. The attack is believed to have been carried out hy an Iraqi aircraft. It is assumed that by operating further sonth than usual the Iraol pilots, who are relatively inexperienced and are flying new aircraft, mistook the tanker for a vessel sailing to Kharg Island, the Iranian oil loading terminal.

The cost of many projects is too high because of delays. **Francis Ghiles** reports

Oil price doubts may force Algeria's hand



UNCERTAINTY about its nil and gas earnings has delayed. by perheps as much as six months, the launch of Algerie's second Five Yeer Development Plan for 1985 to 1989.

Earnings nf about $13bn last year were slightly up on the 1983 figure, thanks to the large increase in the volume of natural gas and condensete exports. But the present downward pressure on the price of oil, which feeds into gas and condensate prices, makes projecting income to 1989 a daunting challenge.

The draft plan envisages investments of Dinars 550bn (£95.1bn), nearly 40 per cent higher than the previous five year plan. Half of this money is earmarked for projects which are alraedy under way, a clear indication of bow far behind schedule they are running.

Agriculture and water resources would get 14.4 per cent of total investment, industrial development 31.6 per cent and bouse building 15.7 per cent aod these are unlikely to he changed.

However, the draft plen argues that the level nf foreign debt must "imperatively be cut." Foreign debt fell to about $15bn et the end of last year and servicing lt absorbed around 30 per cent of export income.

No trade or balance of payments figure are available for 1984 but it is likely that not much has changed since 1983. A $3.2bn trade surplus was achieved then, while the current account of the balance of payments recorded e deficit of $86m.

Reserves have declined, however, from $3.7bn at the end of 1981 to $1.6bn at the end of November 1984, to which must be added 5.5m ounces of gold, worth ebout $1.7bn at present.

The extreme conservatism shown by Algerian leeders over foreign indehtedness hss allowed the country to avoid travelling the path to the International Monetary Fund thet so many others in the Third World have followed in recent years.

There are other sources of domestic funds the planners could barness, hut they will beva to allow a greater degree of liberalisation if they are to boost private investment.

Since he succeeded the late President Houari Boumedienne six years ago, President Chadli Bendjedid has encouraged entrepreneurs, who today employ about one-third of all Algerians. But the state hureeucracy remains a formideble producer of red tape end can be far from encouraging to private investors.

Foreign trade has still not been liheralised, although private citizens and entrepreneurs have been allowed since December 1983 to import tens of thousands of small mechines and cars custom free. These have been paid for with money held abroad, with no questions asked, a clear recognition thet funds exist which are not entered into official accounts.

Algerian leaders like to be principled, ambitious, but also pragmatic. Allowing greater freedom for private investment and trade may not be to the liking of many senior civil servants, but the Five Year Plen draft repeats agein and again that the cost of many projecis is too high because implementation delays are too long.

Production bonuses have many servants of the State already been introduced, which can only help in a country where oil wealth has made extremely lazy and where managers are only slowly regaining anthority compared with trades unions.

The break up of the major State corporations such as the oil and gas company Sonatracb and the steel company Societe Nationale Siderurgique (SNS) has also caused delays. The corporations were set up in the 1960s to leunch Algeria into the modern industrial age — hut the new units are extremely jealous of their autonomy and unwilling to work together. Thousands of competent engineers and accountants are now idle.

Changes in Algeria never occur quickly, in part because they are extensively debated by the country's managers and within the ruling Front de Liberation Netional Party, and in part beceuse President Chadli likes to build a consensus around any shift in policy.

This time, the weakness in the oil market may push Algerian planners into making changes faster than they would have wished.

SPACE WEAPONS CONDEMNED

Gandhi hosts 6-nation nuclear peace talks

BY JOHN ELLIOTT IN NEW DELHI

MR RAJIV GANDHI, the Indian Prime Minister, yesterday made his debut as an international statesman when he hosted a six-nation summit in New Delhi devoted to nuclear disarmament.

Picking up an initiative launched with five other oational leaders last May by his mother, the late Mrs Indira Gandhi, Mr Gandhi took the opportunity to establish himself internationally in advence of a series of foreign visits he will make later in the year.

His major visits will be to the Soviet Union in May end the U.S. in June, maintaining the policy of his mother's who dealt with hoth super powers hut gave a warmer reception to Moscow.

After meeting for little more than an hour yesterday, the conference adopted a communique—dubbed the Delhi Declaration—which calls for an immediarte ban on testing nuclear weapons and a halt to their development. But its main target is to halt the deployment of nuclear weapons in outer space.

"Outer space must be used for the benefit of mankind as a whole, not as a hattle ground for the future. We therefore call for the prohibition of the development, testing, production, deployment and use of all space weapons," says the declaration.

Mr Gandhi has inherited from his mother the current chairmanship of the non-aligned movement.

Yesterday's conference platform was dominated hy larger than life-sized pictures of her and Mr Jawaharlal Nehru, his grandfather end India's first prime minister.

Mr Gandhi called on the U.S. and the Soviet Union in their forthcoming erms talks in Geneva to aim for the "elimination of all nuciear weapons."

India exploded a test nuclear device In 1974 and has always insisted it is only using its nuclear knowledge for peaceful purposes. "We do not intend to develop a bomb," said Mr Gandhi yesterdey, talking to reporters after the conference.

But he did not directly answer a question ebout whether India would state thet it would never stage another nuclear explosion whereas Mr Reul Alfonsin, President of Argentina, asked the same question, said: "We have never thought of making a nuclear weapon nor shall we heve any test."

Indie's ettitude towards nuclear disarmament is tempered hy its helief thet Pakisian, its neighbour, either alreedy has a bomb or is on the verge of attaining the capability lo make one quickly.

There have been some signs during recent personal exchanges betwen Mr Gendhi and President Zia ul-Haq of Pakistan that relationships between the two countries may improve, hut no formal initiatives have yet been taken.

In addition to Mr Gandhi and Mr Alfonsin, the conference wes attended hy Mr Olof Pelme, Prime Minister of Sweden, Mr Andreas Papandreou, Prime Minister of Greece, Mr Julius Nyerere, President of Tanzania, and Mr Miquel de la Madrid, President of Mexico.

The group is co-ordinated hy an organisation called Parliamentarians for World Order whose presidents include Mr John Silkin, a British Labour MP.

Four of the leaders are to meet in Athens on Thursday for e follow-up conference with 50 international personallties.

● Mr Alfonsin reiterated his Government's policy that "at least during my presidency we do not intend to try to obtain the islands (the Felklands) by force."

UN chief begins Hanoi visit

UNITED NATIONS Secretery-General Javier Perez de Cueliar arrived in Hanoi yesterday from Vientiane to try to hreathe new life into stalled negotlations on the Kampuchean conflict, Reuter reports from Hanoi.

The UN chief will hold two rounds of talks with Mr Nguyen Co Thach, the Vietnamese Foreign Minister.

The formal discussions between the two officials will centre on Vietnam's six-year-old occupation of Kampuchee in defiance of UN resolutions

Sri Lanka briefings

Three Sri Lankan ministers are visiting Western capitals this week to hrief the island's major donors on the collapse of the all-party conference on the ethnic issue, the growing threet posed by the Tamil separetist insurgency in the north and increesing Indo-Sri Lankan tensions, Mervyn de Silva reports from Colombo.

Meese expected to win Senate approval

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

MR EDWIN MEESE, President Ronald Reagan's controversial choice for U.S. Attorney General, finally begins his delayed Senate confirmation hearings today, dogged by new questions as to whether he is fit for the job of the nation's chief law enforcement officer.

But while Mr Meese's many opponents are mounting a last-ditch effort to prevent his confirmation, his appointment is widely expected to be approved.

It has been more than 25 years since the Senate rejected a Presidential nomination—on larly sensitive in that he is asking the department that he the grounds that the President should generally be given the benefit of the doubt in the choice of his own Cabinet.

The latest round of controversy erupted around Mr Meese last week, when it was revealed that he is asking the Government to pay more than $720,000 in legal fees that he incurred in defending himself in a special probe of his financial dealings last year.

The five-month investigation concluded that there was insufficient evidence to charge him with wrong-doing. It resulted, however, in his confirmation hearings being delayed for almost a year — until safely after November's elections.

The law is unclear over whether Mr Meese, currently the White House counsellor, is entitled to full reimbursement of his fees, particularly as they include payments to top Washington lawyers of up to $250 an hour.

Mr Meese's case is particu- has been appointed to head— the Justice Department—to rule in his favour.

The department has made clear that it does not want a settlement with Mr Meese to imply that $250 an hour is the "prevailing market rate"— which it disputes—at a time when the Administration is trying to reduce such payments.

Further fuel was added to the controversy yesterday following a report by the Wall Street Journal that staff at the Office of Government Ethics had concluded, after a review of last year's investigation, that Mr Meese had violated Government ethical standards in two of his financial transactions.

The general opposition to Mr Meese is not based so much on the belief that any of his particular actions has been wrong, but on the view that they reflect a general pattern of lax behaviour and a disorganised approach to financial matters and ethical questions.

On top of that, many Liberals are concerned about his record as a strong "law and order" supporter, combined with a pronounced attachment to the police and the military.

Violence fills the Central American void

Peace talks all over the region have been suspended or allowed to drift, reports Robert Graham, Latin America editor

THE NOISE of war has once again supplanted talk of peace in Central America. Within the past two weeks every single negotiating process to establish peace in the region has either been stalled, suspended or come close to collapse.

The U.S. has suspended indefinitely the series of secret high-level meetings it had been holding in Mexico with the Sandinista Government of Nicaragua aimed at normalising relations.

Meanwhile, the Sandinistas and the rebel Miskito Indian group, Misurasata, have broken off what looked like highly promising discussions on reconciliation.

In El Salvador the peace process begun by President Jose Napoleon Duarte last year has run into the ground. A third round of talks between the Government and the Left-wing guerrilla umbrella organisation, FDR/FMLN, was meant to have taken place this month, but has been postponed indefinitely.

At a broader level, the initiative by the Contadora group of countries—Colombia, Mexico, Panama and Venezuela —to establish a peace treaty for the region has become badly stalled.

Little initiative is expected in any of these negotiations until three factors are clarified:

- The outcome of the elections to the Salvadorean National Assembly, due to be held on March 31.
- The outcome of efforts by the Salvadorean military to gain the upper hand against the guerrillas following the delivery by the U.S. of new fire power and helicopter mobility.
- The results of the Reagan Administration's campaign to have Congress endorse new funds for the anti-Sandinista rebels and the resolution of new aid demands by El Salvador, unlikely before mid-March.

This means that substantive progress on a resumption of any of these negotiations cannot realistically begin before April and perhaps later.

Suspension of the U.S.-Nicaraguan talks is at first sight a curious move by the Reagan Administration. There have been eight known meetings in Mexico since the talks were initiated last year. Both Nicaraguan and American diplomats have indicated the talks served a valuable purpose in keeping dialogue open. Both sides could air their respective points of view in depth, out of the public view.

No specific incident has occurred in recent weeks that could serve as an excuse to call off the talks; and Sr Daniel Ortega three weeks ago in his inaugural speech as Nicaragua's President made a point of referring to these bilateral contacts as a means of lessening tension.

One senior diplomat within the Contadora group said the most charitable explanation for the suspension was the pending changes in U.S. diplomatic personnel dealing with Central America. U.S. Press leaks, confirmed as accurate by State Department insiders, suggest President Ronald Reagan will change most of the Central American ambassadors, including Mr Harry Schlaudeman, his special representative for the area responsible for the secret talks with Nicaragua.

Another view is that President Reagan is anxious to let the Sandinistas know of his continuing opposition to their regime, even though an elected President has been installed and Nicaragua's constituent assembly has begun to function.

On this analysis, the U.S. administration has no interest in taking the diplomatic initative any further until it sees how the renewed request for funds for the Right-wing Contras trying to overthrow the Sandinistas, fare in Congress. The request for $14m in covert assistance is expected to begin its complex path through both houses by the end of February.

Democrats believe it will be difficult for the Administration to push this request through, but do not underestimate President Reagan's powers of persuasion. Last week he fired the first salvo, charging Nicaragua with planning to bring terrorism to the West in a link-up with Iran.

Mr Reagan and his supporters have made no secret of their support for the Contras, who operate from Honduras and Costa Rica. Last week the maverick former Sandinista leader turned rebel, Sr Eden Pastora, was summoned from Costa Rica for talks in Washington.

The breakdown in talks between the Sandinistas and the Miskito guerrilla group headed by Sr Brooklyn Rivera, has been publicly blamed on the Nicaraguan authorities' refusal to halt their military operations along the Atlantic coast. But the Sandinista Government insists that their position had not changed after the previous round of talks in December. They believe that the U.S. Administration became concerned that reconciliation with Misurasata, the largest Indian rebel group, would seriously divide the armed opposition.

Meanwhile Sr Arturo Cruz, the former Sandinista ambassador to the U.S., has thrown his support behind the Contras. Throughout last year Sr Cruz sought to mobilise an opposition coalition to fight the elections in Nicaragua. Though he finally refused to take part in the elections, he was careful not to identify openly with the Contras, mostly formed from backers of the former Somoza dictatorship.

The talks in El Salvador between Sr Duarte's Government and the Left-wing guerrillas have run into difficulties because of objections from hardline officers in the Salvadorean army. They are afraid that Sr Duarte will make too many concessions to end the bloody civil war.

The military is understood to feel more confident of gaining the initiative in the fighting now that it has taken delivery of more U.S. helicopters and C-47 aircraft equipped as gunships. Both the CIA and the Pentagon are reported to be of the same view.

This therefore severely limits Sr Duarte's room for manoeuvre. His original proposal last year for peace talks with the rebels was made with little prior consultation with the U.S., even though American economic and military aid is totally underpinning his Government.

The guerrillas themselves are wary of taking the talks any further until they know the outcome of the National Assembly elections in March. They fear that the Right-wing parties, headed by the Arena Party of Major Roberto d'Aubuisson, might strengthen their hold in the 60-seat assembly. Arena and the Right-wing parties, closely linked to the armed forces, are opposed to negotiations with the guerrillas.

A hostile assembly would seriously weaken the validity of any government agreement with the guerrillas. A taste of the impending power struggle between Sr Duarte and the Right-wing and its army supporters has been provided by the upsurge in political assassinations. At least 20 public figures have been murdered this month, mostly by Right-wing death squads.

These tensions have been reflected in the Contadora peace process. The group, formed exactly two years ago, has rewritten a regional draft treaty more than once. Last autumn when Nicaragua had accepted binding terms that included limits on force levels and the elimination of foreign advisers, the U.S.'s allies in the region raised hitherto unknown reservations.

Furthermore, Costa Rica this month seized on an incident involving the shooting of a Nicaraguan who sought exile in its embassy in Managua as an excuse to boycott discussions of a new text with the Contadora countries. In Nicaragua the delays in the Contadora process are seen as evidence of continued U.S. unwillingness to be hamstrung by any regional treaty.

The result of these events is that prospects for peace, either through the regional approach of Contadora or through the gradual progress of internal reconciliation seem as distant now as they did when President Reagan took office.

David sees which way Kosher cuisine crumbles

By Terry Dodsworth in New York

NEW YORK gourmets may wake up one of these days and find that they no longer have exclusive rights to their favourite West Side institution.

Zabar's, the 51-year-old Broadway delicatessen and houseware store, is being eyed closely by David's Cookies, another fashionable New York food empire, which has grandiose plans to export the unique Zabar formula to all corners of the globe.

The news of David's interest was dropped on stunned Zabar devotees by Mr David Liederman, the 35-year-old lawyer-chief, who is rapidly turning the company he founded only five years ago into international franchising chain.

Zabar's will say little about his bid, but Mr Liederman's revelations have forced it to admit that it is looking at expansion possibilities. It has taken on Bear, Stearns, the investment bank, and is examining various ideas, including taking the company public, making franchising arrangements

"There is an incredible demand around the world for the American food concept at present," says Mr Liederman.

Bear, Stearns makes no attempt to hide its irritation over Mr Liederman's bid to grab pole position in the bargaining over Zabar's. But it agrees with him over the potential for development

Zabar's popularity, which generates a now predictable traffic jam outside its Broadway premises every Sunday morning, relies on an odd mixture of keenly priced household wares and exotic delicatessen food.

Mr Liederman has doubts over whether Zabar's particular food lines would sell equally well outside New York—its original popularity owed a lot to the gastronomic traditions of New York's large Jewish population.

But Mr Liederman's view is that he would want to expand the Zabar concept rather than the particular product. "Just consider, a London store which has Harrods' quality with prices that are cheaper than Marks and Spencer's."

Danger readings at Bhopal plant 'ignored'

BY TERRY DODSWORTH IN NEW YORK

INSTRUMENT READINGS showing a dangerous rise in pressure in a tank containing poison gas at the Bhopal chemicals plant in India were ignored because many instruments in the vicinity were unreliable, according to a report in the New York Times.

The allegation was contained in a detailed analysis of the Bhopal chemicals accident last month in which more than 2,500 Indians died. The report reaches no conclusion on the specific cause of the disaster, but it quotes a number of sources alleging weaknesses in equipment, maintenance failures and dangerous economy measures.

In response to questions from the newspaper, Union Carbide, the majority owner of the plant, issued a statement indicating that it will be "several more weeks" before its own investigative team completes a report on the reasons for the lethal leakage of methyl isocyanate.

The company admitted, however, that its investigations had found one irregularity in the plant. This involved an amount of methyl isocyanate in a storage tank which should have been kept empty to act as additional capacity in the case of a pressure build-up.

According to some witnesses reported by the New York Times, workers were unwilling to vent any of the problem gas into the spare storage tank on the night of the disaster because they thought that a further reaction might be touched off in the methyl isocyanate being kept there.

Union Carbide yesterday announced a $18m (£16.07m), or 25 cents a share charge against fourth quarter profits to cover costs it is incurring at Bhopal. Page 20

Union Carbide also conceded for the first time that the Bhopal facility had been losing money since 1982. It refused to be drawn, however, on steps which had been reportedly taken to reduce costs at the Indian facility, including cuts in staff to allegedly dangerous low levels.

Cost reduction, it said, was a continuing objective of its managers throughout the world.

According to some sources quoted by the New York Times, which interviewed 100 people in the course of the investigation, the three main safety systems at Bhopal were inadequate to cope with the strength of the chemical reaction on the night of the disaster.

A water spray mechanism designed to contain chemical leaks was not strong enough, while a "scrubber" which should have neutralised the escaping gas was not adequate to cope with the pressures being imposed on it.

In addition, a flare tower supposed to burn off escaping gas would only have been able to handle about a quarter of the volume involved in the incident —although, in the event, the tower was not operating at the time.

Britain to assure Belize on defence commitment

BY ROBERT GRAHAM

BRITAIN will assure Mr Dean Barrow, the Belize Foreign Minister, this week of its continuing defence and aid commitment.

Mr Barrow's UK visit, which formally began yesterday, is the first contact with the new Belizean Government since last months's elections saw the defeat of the Price administration that had controlled the country since independence in 1982.

Britain maintains about 1,600 military personnel in Belize under a defence arrangement between the two countries. The British forces ar there to protect Belize and train a small Belizean force in the light of continued territorial claims by neighbouring Guatamala.

Britain would like to withdraw its forces from Belize when practical since this would save about £30m a year for the Ministry of Defence.

BASE LENDING RATES

A.B.N. Bank	14 %	Hong Kong & Shanghai	14 %
Allied Irish Bank	12 %	Johnson Matthey Bkrs.	14 %
Amro Bank	14 %	Knowsley & Co. Ltd.	14½%
Henry Ansbacher	14 %	Lloyds Bank	14 %
Armco Trust Ltd.	12½%	Mallinhall Limited	10 %
Associates Cap. Corp.	12 %	Edward Manson & Co.	15 %
Banco de Bilbao	12 %	Meghraj and Sons Ltd.	14 %
Bank Hapoalim	12 %	Midland Bank	14 %
BCCI	14 %	■ Morgan Grenfell	14 %
Bank of Ireland	14 %	Mount Credit Corp. Ltd.	12 %
Bank of Cyprus	14 %	National Bk. of Kuwait	14 %
Bank of India	12 %	National Girobank	12 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd	14 %	Norwich Gen. Tst.	14 %
Barclays Bank	14 %	People's Tst. & Sv. Ltd.	13 %
Beneficial Trust Ltd.	13 %	Provincial Trust Ltd.	12½%
Brit. Bank of Mid. East	14 %	R. Raphael & Sons	14 %
■ Brown Shipley	14 %	P. S. Refson	14 %
CL Bank Nederland	14 %	Roxburghe Guarantee	14½%
Canada Perm'nt Trust	14 %	Royal Bank of Scotland	14 %
Cayzer Ltd.	14 %	Royal Trust Co. Canada	12 %
Cedar Holdings	11 %	■ J. Henry Schroder Wagg	14 %
■ Charterhouse Japhet	14 %	Standard Chartered	‖14 %
Choulartons**		Trade Dev. Bank	12 %
Citibank NA	14 %	TCB	14 %
Citibank Savings	¶12 %	Trustee Savings Bank	14 %
Clydesdale Bank	12 %	United Bank of Kuwait	14 %
C. E. Coates & Co. Ltd.	14½%	United Mizrahi Bank	14 %
Comm. Bk. N. East	12 %	Westpac Banking Corp	12 %
Consolidated Credits	14 %	Whiteway Laidlaw	14½%
Co-operative Bank	*12 %	Williams & Glyn's	14 %
The Cyprus Popular Bk.	12 %	Wintrust Secs. Ltd.	14 %
Dunbar & Co. Ltd.	14 %	Yorkshire Bank	14 %
Duncan Lawrie	14 %		
E. T. Trust	14½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡14 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	12 %		
■ Hill Samuel	§12 %		
C. Hoare & Co.	†12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75% £10,000 12 months 12.00%
† 7-day deposits on sums of under £10,000 8¾%, £10,000 up to £50,000 9½%, £50,000 and over 10¼%.
‡ Call deposits £1,000 and over 11%.
¶ 21-day deposits over £1,000 12½%.
‖ Mortgage base rate.
§ Demand deposits 8½%.
** See Provincial Trust Ltd.

TSB BANK
Base Rate

With effect from the close of business on 28th January, 1985 and until further notice TSB Base Rate will be 14% p.a.

Trustee Savings Banks Central Board, PO Box 33, 25 Milk Street, London EC2V 8LU.

Lloyds Bank Interest Rates

Lloyds Bank Plc has increased its Base Rate from 12% to 14% p.a. with effect from Monday 28th January, 1985.

Other rates of interest are increased as follows:
7-day-notice Deposit Accounts and Savings Bank Accounts – from 9% to 11.5% p.a.

The change in Base Rate and Deposit Account interest will also be applied from the same date by the United Kingdom branches of Lloyds Bank International Limited The National Bank of New Zealand Limited.

Lloyds Bank
A thoroughbred amongst banks

Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BS.

bank leumi (uk) plc

Interest Rates

Bank Leumi (UK) plc announces that with effect from close of business on 28th January, 1985 its base rate for lending is increased from 12.0 per cent to 14.0 per cent per annum.

The seven day notice deposit rate will be 11.5 per cent.

bank leumi בנק לאומי

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For further information contact:
Jeremy Deedes FT Tombstone index
Financial Times, Bracken House, 10 Cannon Street
London EC4P 4BY Telephone: 01-248 8000

Clydesdale Bank PLC

BASE RATE

Clydesdale Bank PLC announces that with effect from 29th January 1985, its Base Rate for Lending is being increased from 12% to 14% per annum

Bank of Scotland Base Rate

Bank of Scotland announces that, with effect from 28th January 1985 its Base Rate will be increased from 12.00% per annum to 14.00% per annum.

BANK OF SCOTLAND
A FRIEND FOR LIFE

Hill Samuel Base Rate

With effect from the close of business on January 29 th, 1985, Hill Samuel's Base Rate for lending will be increased from 12 per cent to 14 per cent per annum. Interest payable on the Bank's Demand Deposit Account will be at the rate of 11 per cent per annum.

Hill Samuel & Co. Limited
100 Wood Street, London EC2P 2AJ.
Telephone: 01-628 8011.

Base Rate Change
BANK OF BARODA

Bank of Baroda announce that, for balances in their books on and after 28th January, 1985 and until further notice their Base Rate for lending is 14% per annum. The deposit rate on all monies subject to seven days' notice of withdrawal is 11% per annum.

Williams & Glyn's

Interest Rate Changes

Williams & Glyn's Bank announces that with effect from 28th January 1985 its Base Rate for advances is increased from 12% to 14% per annum.

Interest on deposits at 7 days' notice is increased from 9% to 11½% per annum.

Williams & Glyn's Bank plc
A member of The Royal Bank of Scotland Group plc

Yorkshire Bank Base Rate

Yorkshire Bank announces that with effect from close of business on Monday 28th January 1985 Base Rate will be increased from 12% to 14%

Yorkshire Bank
Yorkshire Bank PLC Registered No. 117413 England
Registered Office: 20 Merrion Way Leeds LS2 8NZ

Bank of Ireland

announces that with effect from close of business on the 29th January, 1985 its Base Rate for Lending is increased from 12.0% to 14.0% per annum

Bank of Ireland

BCC Base Rate

BANK OF CREDIT AND COMMERCE INTERNATIONAL SOCIETE ANONYME
LICENSED DEPOSIT TAKER

announces that from 28th January 1985 its base rate increases

from 12% to 14% p.a.

100 Leadenhall Street London EC3A 3AD

The Co-operative Bank announces a change in base rate

from 12·00% to 14·00% p.a. with effect from Tuesday 29th January 1985

Deposit rates will become
7 days notice 11·00% p.a.
1 months notice 11·75% p.a.

Co-operative Bank Cheque & Save
The notional interest rate on Cheque & Save is now 14·00% p.a.
(on amounts beyond £1,000).

Home Mortgage Rate
will increase from 12·75% to 14·50% p.a. on and after Tuesday 5th February 1985

THE CO-OPERATIVE BANK
Co-operative Bank p.l.c., P.O. Box 101, 1 Balloon Street, Manchester M60 4EP.

The Royal Bank of Scotland
Base Rate

The Royal Bank of Scotland plc announces that with effect from close of business on 28th January 1985 its Base Rate for lending is being increased from 12 per cent per annum to 14 per cent per annum

Standard Chartered Bank

announces that on and after 28th January 1985 its Base Rate for lending is being increased from

12% to 14% p.a.

The interest rete payable on deposit accounts subject to seven days' notice of withdrawal will be increased from 9% to 11½% p.a.
The interest rate payable on High Interest deposit eccounts subject to twenty-one deys' notice of withdrewal will be increased from 10% to 12½% p.e.

Standard Chartered

Grindlays Bank p.l.c. Interest Rates

Grindlays Bank p.l.c. announces that its base rate for lending will change from 12% to 14% with effect from January 29th 1985.

The interest rate paid on call deposits of £1,000 or more will be 11%

Rates of interest on fixed deposits of over £5,000 will be quoted on request.
Enquiries: Please telephone 01-930 4611

Grindlays Bank p.l.c.
Head Office: 36 Fenchurch Street London EC3P 3AS

British group plans to visit U.S. in fight against unitary tax

BY CHRISTIAN TYLER, WORLD TRADE EDITOR, IN LONDON

BRITISH industrialists are to visit California next month to lobby for the repeal of the state's system for taxing multinational companies.

Sir Tereoce Beckett, Director General of the CBI wbo will lead the mission, said yesterday that 1985 was "make or break year" for seltling the controversy over so-called uoitary taxation, pioneered in the U.S. by California.

The system, used in about a dozen states, means that companies are laxed on a proportion of their worldwide profits, and not just on their local earnings.

Companies and governments in Europe, Canada and Japan have protesled that the sysiem can lead lo double taxation and high administrative expenses. They say it is a big disincentive to invesiment.

The slales using the system bave been asked by the federal Government *to revise their* procedures by the end of July. After that, Wasbington will agaio consider whether to take legislative action.

Sir Terence told a conference in London yesterday tbat unitary taxation was "arbitrary in concept and inequitable in application, posing a serious threat to businesses around the world."

At the same conference, Mr John Moore, tbe UK Treasury Financiat Secretary, said thai unitary taxation was harmful to the devetopment of the world economy. "If unitary tax is allowed to persist, its disruptive influences on the pattern of investment and trade ihroughout tbe world will grow."

The multinationals fear that the system, or a variant of it, could be adopted by other counlries, especially in ibe developing world.

W. Africans seize 1m pirate cassette tapes

BY CHARLES BATCHELOR IN LONDON

WEST AFRICAN police and customs officials bave seized more than 1m pirate cassette tapes with a retail value of $4m in a 3½-month crackdown on black-market tape shipments.

The seizure of the tapes, all of which originated in Singapore, the centre of the international pirate recording industry, was announced yesterday by the International Federation of Phonogram and Videogram Producers (IFPI) in London.

The federation has increased efforts in the last three years to stamp out the international illegal recording industry whicb conservatively is worth at least $1bn a year.

A breakthrough in the campaign was achieved wheo Singapore police raided several premises selling pirate copies of Do They Know It's Christmas, the Band Aid record made to raise funds for Ethiopian famine victims, Mr Mike Edwards, the federation'a anti-piracy co-ordinator said.

The Singapore Government is considering introducing tougher anti-piracy legislation which, the federation hopes, will reduce the scale of the industry. The federation claims that court cases it has brought have reduced the industry in Singapore from 110m cassettes a year in 1981 to 50m last year.

Pirate cassettes deprived the legitimate recording industry of revenue, governments of taxes and damaged the local music industry in developing countries, Mr Edwards said. Bootleg cassettes typically sell for between a quarter and a half the price of genuine tapes.

The West African campaign led to the seizure of six vessels carrying 1.05m cassettes in ports in Benin, Nigeria and Cameroon. Last Monday, 200,000 tapes were seized in Douala, Cameroon.

Brazil, EEC resume talks on steel today

By Andrew Whitley in Rio de Janeiro

BRAZIL AND the European Economic Community will resume negotiations in Brussels today on a voluntary limitation agreement covering growing Brazilian steel exports to the Community.

Disagreement between the two sides centres on the global volume to be permitted to enter the EEC during the life of the agreement, expected lo be only one year. The first round of talks earlier this month broke np over the Brazilian insistence on a 200,000-tonne annual ceiling.

EEC officials are believed to have proposed, instead, a ceiling of 103,000 tonnes, about half the volume Brazil exported to the Community last year. However, last week Sr Adimar Shievelbein, a senior finance ministry official, who is heading the Brazilian delegation, was confident Brussels would accept the Brazilian proposal in the fortcoming talks.

The negotiating deadline of next Tuesday—after which Brazilian steet becomes liable to a series of anti-dumping and anti-subsidy duties—has, in practice, been temporarily waived because of the continnation of the talks.

One substantial concession already made on the Brazilian side is that any agreement reached will cover all steel prodncts except tubes. Brazil had originally wanted the voluntary restraint pact to cover only those steel prodncts threatened with additional surcharges.

According to Brazilian officials, under the scope of the proposed EEC pact, individual quotas for flat steel products sold to the UK, West Germany and Italy will also be negotiated. In addition the bilateral agreement will cover wire sold to West Germany.

Earlier steel talks failed to reach any conclusion. The current round is in response to growing pressure from Brussels for an agreement with a steel industry whose export growth has recently been one of the most impressive in the world.

Jurek Martin looks at the issues as the two sides return to the negotiating table

U.S. and Japan tackle tension over trade

EVEN AT the best of times, it is often difficult to keep track of the trading disputes to which, it seems, the U.S. and Japan devote most of the waking hours of their bilateral relationship. Tbese, it must be noted, are not *the best* of times.

After a six-month lull, brought on by political distractions in both countries, the U.S. bas returned to the negotiating table with a vengeance, intent on extracting from Japan concessions that collectively might make some deal in Japan's trade surplus, worth last year about $33bn (£30bn) and, according to all projections, unlikely to diminisb in the coming 12 montbs.

For its part, Japan has committed itself to producing yet another market-opening package designed to make its economy less impervious to American goods and services. It is due out at the end of March and will be the sixth in the last 3½ years (excluding the financial liberalisation agreement concluded last May and still being implemented).

Realisticatly, neither side believes that the next package will constilute a cure-atl. Even if Japan's exports to the U.S. do progressively moderate as the U.S. economy stows and as the yen appreciates against the dollar, import growth is only likely at best to keep pace with that of foreign sales and the trade gap will remain substantial.

Big ticket import items, such as Japanese purchases of Alaskan crude oil, are in the purview of the U.S. Congress, not tbe Government, while vested Japanese agricultural and industrial interests are tough political nuts for any Japanese government to crack.

This, however, is no deterrent to negotiation. As a result this week in Tokyo a U.S. delegation, headed by Mr Allen Wallis, the under-secretary of state for economic affair, will he pressing the U.S. case on four markel areas—telecommunications, computers and software, pharmaceulicals and medical equipmeni, and foresi products—identified as *problems* in the margins of the recent Nakasone-Reagan summit.

These really only represent the tip of the iceberg, of which the most frosi-bilten are:

● Cars: The current four-year voluntary restraint programme, whicb in 1984-85 requires Japan to limit straight exports to 1.85m units, expires in March. The U.S. has not yet decided whether to ask for an extension and, if so, to propose a new ceiling.

The Japanese car industry, which has profited bngely by selling more expensive vehicles in the U.S. under the ceiling, wants the curbs lifted but claims that no huge surge in exports would result. The Ministry of International Trade and Industry (Miti) privately, but not publicly, suspects some continued restrain will be required.

● Telecommunications: Perhaps the most complex single subject. The partial privatisalion of Nippon Telegraph and Telephone in April is supposed to lead to new opportunities for foreign suppliers.

However, the latest word is that NTT *has* no immediate plans to buy U.S. telecommunications satellies. Foreign firms will get ahares of the new Japanese market for value added communications networks (Vans) but the provision of basic communications facilities is to remain in Japanese hands. Certification and testing of foreign goods under a liberat regime remains a divisive issue.

● **Computers:** Probably the biggest bone of contention is Miti's proposed revision of the software patent laws, whose purpose is to close Japan's perceived deficiencies in this respect. U.S. lobbying helped get last year's hill taken off the Diet schedule.

Additionally, the U.S. believes that Japanese institutions, responding to "administrative guidance" are following a "buy Japanese" policy on supercomputers.

● **Pharmaceutical etc:** An area in which, according to the U.S., Japan sets unreasonable standards, in, for example, not recognising clinical tests that are conducted outside Japan on foreigners (on the grounds that Japanese are racially different).

● **Forest products:** Essentially a replay of the old beef-and-oranges dispute, with the U.S. claiming Japan is protecting an inefficient domestic industry through tariff walts.

In practice the U.S. has hinted it will not press this issue too hard—and the leaderahip of the ruling Liberal Democratic Party has atready warned the Government it will brook no major concessions.

● **Services:** A burgeoning issue. American lawyers are pressing for the right to be able to practise in Japan, which is a nonlitigious country; the Japanese bar association may create e special category for foreign lawyers, tbougb this is unlikely to appease the U.S.

● Transport: In the air, the U.S. wants Japan to allow another U.S. carrier to fly to Japan; which, in turn, is complaining because the U.S. has not granted a All Nippon Cargo U.S. rights. Japan, for once on the offensive, is threatening retaliation against *existing* U.S. airlines.

On the sea, Japan requires both car exports and U.S. tobacco imports to be carried in Japanese ships.

● Industrial policy: The U.S. wants foreign executives to be allowed to sit in on the key policy-making bodies, of which the best known is Miti's industrial council.

The Keidanren, the employers' federation, has created a special category of mebership for foreigners and some industrial associations have begun taking testimony from foreigners.

The basic U.S. complaint is that, without full participation, Japanese public policy will remain insufficiently transparent and thus weighted in favour of Japanese concerns, whose relations with the bureaucracy are already intimate.

The package two months bence will be but a partial attack on some of the issues. Others, such as cars, may lend themselves to independent bilateral settlement or drag on for years, as is probably the case with telecommunications.

The issues are all subject to e political dimension, both on the Japanese side, in Mr Nakasone's ability to influence his bureaucracy, and on the U.S. side in the extent to which it is willing to put pressure on the President's friend.

BRITISH AEROSPACE is discussing with Japanese manufacturers the possibility of them sbaring in the development of the new, higger Series 300 version of the BAe 146 four-engined regional jet airliners, writes Michael Donne.

Tbe Series 300, with a lengtbened fuselage and other improvements, will carry up to about 125 passengers, compared with the 109 in the Series 200 model. It is designed to meet the growing market for larger short-haul jet airliners of between 120 and 130 seats, for which the current 146 types are too small.

The BAe discussions are with Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries.

Reports from Tokyo suggest that an agreement is likely in March, and that the Japanese companies will manufacture wing-flaps and other wing moving parts, amounting to about 1 to 2 per cent of the aircraft.

The value of the work could be between Y50m (£150,000) and Y100m per aircraft.

The first Series 300 146 is expected to fly in 1987, with deliveries in 1988.

Technip wins Congo contract

TECHNIP, a French construction company, bas won a turnkey contract worth FFr 230m (£23m) to build two breweries in the Congo, AP-DJ reports from Paris.

Both breweries will use technology provided by the Danish brewing group Tuborg. One will be located in Brazzaville and the otber at Oyo, about 200 miles to the north.

The cootract, awarded by Société Inlernationale des Brasseries du Congo, still bas to be approved by Coface, the French export credit guarantee organisatioo.

Airbus set to boost output rate

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the European airliner manufacturing consortium, is expected to decide soon on an increase in the production rate of Airbus aircraft from three a month to four at least, to be effective by 1986.

The group's lalest Airbus Letter states that this is due to the big inflow of new orders last year, with new commitments for 82 aircraft and e further 76 options, over five times the 1983 volume.

Some of the commitments have yet to be signed as firm orders, but even so the firm orders and options placed amount to 58. Total Airbus orders stand at 411 firm sales with commitments for another 43 aircraft.

While current production plans for 1985 envisage an output of about three alrcraft a month (A-310s and A-300-600s), "market return will make Airbus Industries and its partners decide to increase the 1986 production rate, bowever, in order to satisfy demand."

Mr Jurgen Thomas, senior vice-president (industrial), sees no problem in achieving this.

"Since lbe second *half of the* 70s, European manufacturers have learned their lessons and greatly improved prodnction flexibility and responsiveness, so as to be able to cope with an increase of one or more aircraft a month, with an 18-months lead time.

"In addition, the existing tooling, jigs and human resources available at all sites would permit an increase without difficulty, and without loss of prodnction quality."

Close monitoring of the market is expecled to lead to a deci*sion in the coming weeks.*

Biotechnology sales to rise

By Carla Rapoport

THE U.S. biotechnology market will be worth more than $1.2bn (£1.1bn) in 1988, according to the president of a U.S. based consultancy group speaking in London yesterday.

Mr Roger Shamel, president of Consulting Resources Corporation based in Massachusetts, sales of pharmaceutical products produced via biotechnology will growf rom $35m in 1983 to around $900m in 1988. Biotechnology products in the agriculture, chemicals, and food sectors will account for another $355m by 1988.

TECHNOLOGY

EDITED BY ALAN CANE

INVESTMENT IN COMPUTER MONITORING

Testing time for phones

BY GEOFFREY CHARLISH

Northern Telecom's LRS 100T system at BT in Croydon

THE WORLD'S telephone companies, faced with keeping the growing millions of telephone lines in good working order with minimum down-time for the customers are turning to the computer to monitor the lines and speed up fault rectification.

In the UK, British Telecom is spending £20m on equipment for about 100 of the company's repair service controls (RSC), which are the nerve centres for its fault repair service.

This kind of equipment, initially introduced by Standard Telephones and Cables (STC) and the U.S.-based company Teradyne some five years ago, is able to test automatically customers' lines and equipment overnight to pinpoint degradation before it develops into faults that could affect telephone service.

Since then other companies have entered the arena and BT has chosen two of them, Vanderhoff (UK) and Northern Telecom to supply future systems. Five integrated RSCs have been in operation for some time, trying out various brands of equipment.

An STC spokesman said recently that the company did not "regard the door as closed" for future orders. And since the BT statement on December 20 announcing the two chosen companies, Teradyne says it has secured a £2m contract to provide 4TEL test systems for Birmingham. It adds that test equipment is being integrated in Portsmouth, Bristol, London (Paddington), and the independent phone company in Hull are already using 4TEL. Teradyne has set up a manufacturing plant in the UK.

BT has placed the first orders with Vanderhoff for the Badger CL680 system, to be made in Nuneaton, and is still negotiating with Northern Telecom, which offers a system called *LRS-100T*.

The remote line-test equipment is part of a BT modernisation of the fault repair service in which former telephonists and other staff are being retrained as customer service officers (CSO). There will eventually be 3,000 CSOs, forming the front-line staff of a total repair service workforce of 24,000.

A visual display unit (VDU) for use by the customer service officers connects to a minicomputer which stores all the fault repair records previously held on cards. It gives the officers instant access to customer records and fault histories and cuts out paperwork by generating an electronic "docket" detailing a new fault.

To date about 200 repair service controls have been converted to computer administration or are awaiting commissioning. The other 160 will be computerised by the end of this year.

In a second stage of modernisation, the new micro-controlled test equipment is being integrated with the administrative computers. The CSOs can then use their VDUs to access both.

When a fault is reported, the CSO calls up the line's previous fault record and an automatic initial test program is performed, with results shown on the screen. Often the officer will then have enough information to estimate how long it will take to repair the fault and can arrange an engineer's visit.

The electronic fault "docket" is sent automatically to a diagnostic technician who uses the equipment to carry out more detailed tests. These will indicate the likely nature of the fault and often will identify its location—at telephone exchange, on outdoor cable or on the customer's premises.

The fault report is sent through the system to engineers who distribute work to repair or maintenance slaff. From It, or maintenance staff.

As well as making routine night time tests on lines, the equipment will also repeatedly test a line on which intermittent faults have been reported. Repeated and wasted visits to customer premises should be greatly reduced.

British Telecom says that key RSCs are able to provide a full engineering service at all times in response to "151" calls. They aim to answer at least 85 per cent of calls within 25 seconds and to clear some 95 per cent of reported faults by the end of the next working day.

Pharmaceuticals

Biotech agreement

PHARMACIA, the Swedish pharmaceutical company, has taken a small share in an American biotechnology company called Biotechnology General, BTG. Pharmacia hopes to combine its technology for the production of a drug used during eye treatment with the American company's biotechnology techniques.

Biotechnology General has developed a method of producing hyaluronic acid by bacterial fermentation. This basically involves encouraging bacteria by recombinant DNA techniques to make a substance within their cells not normally produced. Since bacteria multiply rapidly, they can produce, in theory, large quantities of substances such as drugs. After fermentation, the cells are smashed open and then the wanted substance is purified from the resultant biological "soup."

Hyaluronic acid is the starting material for several products made by Pharmacia including Healon. This is used for eye surgery as it is very similar to the eye fluid which it can replace. Its most common use is in inserting lenses and transplanting corneal grafts. In the U.S. alone more than one million eye operations are performed each year of which about one third might need a substance such as Healon. There are also other ophthalmic applications.

However, work has also been carried out on using Healon for the treatment of arthritis. It can reduce pain when injected into arthritic joints as it acts as a lubricant.

Pharmacia hopes that the joint venture with BTG will mean larger supplies of hyaluronic acid than is possible at present as it has several other research projects underway which will increase demand as well as the growth in the existing range of products.

Today, hyaluronic acid is made from rooster combs. Pharmacia has never revealed how many roosters lose their combs to make the ten or so kilos of the acid every year it now produces. In the future, demand could be as high as 200 kilos annually which could only be met by biotechnology production methods.

ELAINE WILLIAMS

Did Microsoft shoot D.R. —or itself—in Dallas?

DALLAS, Texas, was an appropriate place last week for AT & T and Microsoft to write the latest chapter in an industry saga every bit as complicated and engrossing as the television soap opera which bears its name.

It could be called "The Great Operating Systems Battle." It features two major players, AT & T and IBM, two supporting parts, Microsoft and Digital Research, a guest star, Apple Computer and a host of bit players.

The announcement itself was, to layman's eyes, incomprehensible enough: "Microsoft Corporation and AT & T today announced joint plans for compatible future releases of Microsoft Xenix and Unix System."

Even when decoded, it sheds litle light on the tangle of industry rivalries and inter-relationships which have sprung up in the last few years around personal computer operating systems (OS).

These systems are important because they are intermediate between application progams — word processing or accounting, for example — and the machine itself.

They are large, frequently complicated, programs which allocate the microcomputer's resources in the best possible manner, deciding which disk to use next or which part of a program to run, for example.

They can be powerful forces for standardisation and, therefore, progress. Early professional computers used a hotch potch of operating software until an operating system called CP/M, written by Gary Kildall of Digital Research (DR) for 8-bit Intel microprocessors, took an unstoppable lead and became the standard.

Software authors were able to write applications programs for CP/M equipped machines knowing there would be a large and stable market for their products.

Digital Research was therefore king of the micro operating systems world — but not for long.

IBM's Personal Computer, introduced in 1981, pushed the balance towards Microsoft. The IBM PC was unusual in that the company manufactured very little ofthe machine itself, and that included the operating system.

The machine used an advanced 16-bit microprocessor chip, the Intel 8088, which was not compatible with CP/M. Microsoft was chosen to develop a version of its 16-bit operating system for the chip, MS/DOS—for the IBM PC (PC/DOS).

Why IBM preferred PC/DOS to Digital Research's 16-bit operating system CP/M86 is open to conjecture, but William Gates, Microsoft's chief executive, had a profound influence on the development of the IBM PC.

Microprocessors, however, continued to increase in power to the point where available operating systems simply could not exploit all the power built into them. This let Unix, an OS written within Bell Labs, part of AT & T, for microcomputers into the game.

Unix was, in many ways, a *very good* operating system with

Professional Personal Computing

BY ALAN CANE

powerful features much liked by programmers. It could exploit the full power of 16- and 32-bit microprocessors and indeed it could only be used on systems with the power and memory handling capacity of these chips.

Digital, meanwhile, had been writing a new OS, Concurrent CP/M which enabled a computer user to carry out more than one task at the same time, something *in which IBM* was showing little interest.

What changed everything was the introduction by Intel of a new and dramatically more powerful microprocessor chip, the *80286* with a host of new features including the ability easily to carry out multiple tasks simultaneously through a facility called "on-chip hardware protect."

IBM incorporated the new chip in its most recent Personal Computer, the PC-AT, announcing that it would support two operating systems for it, a more powerful version of MS/DOS (MS/DOS 3.0) and Unix system 3.

Neither is ideally suited to the power and facilities of the 80286 chip, but Unix system 5 and a new Digital Research operating system Concurrent DOS/286 will support multitasking and allow the connection together of a number of microcomputers. Concurrent DOS 286 is able to run any applications software written for PC/DOS.

Digital Research is bundling in with Concurrent DOS/286 software called GEM which makes an IBM PC behave as if it was an Apple Macintosh.

The Macintosh, featuring small pictures on the screen and a pointing device, and the rather more orthodox IBM PC represent two chief options in personal computing today.

The full complexity of the commercial inter-relationships is illustrated by the following facts:

- IBM owns 16 per cent of Intel, the chipmaker at the heart ofthe matter.
- IBM and AT & T are direct competitors in personal computer markets, but IBM *offers* Unix on its *top of* the range machine along with MS/DOS.
- Microsoft and AT & T are now working together on a definitive version of Unix, Xenix 5.
- Digital Research has writen operating software in Concurrent DOS/286 which could give IBM an advantage against Apple — if it was to licence the product for its machines.

But Microsoft has had a close relationship with IBM over its personal computers for a long time. So the big question is: which way will IBM go? The joint development between Microsoft and AT & T means that AT & T personal computers will be equipped with Xenix 5 and Microsoft's somewhat delayed multitasking product "Windows."

On the other hand, IBM has its own multitasking software called "Topview" and the suspicion persists that eventually it will free itself from dependence on outside suppliers and announce its own micro operating system.

Meanwhile the search goes on among the top systems software houses for the "transparent" operating system which makes it possible to run any applications software.

Retailing

Settling transactions

SYSTEMS Designers is marketing a computer system to automatically settle point of *sale transactions in retail* stores, or at petrol pumps in garages.

Tyme 11, designed by A O Smith Data Systems of Milwaukee, Wisconsin, can handle a wide range of transactions, including deposits, withdrawals, cash advances, payments to and from accounts, balance enquiries and credits.

There are more than eight Tyme 11 installations of about 15 major shared networks in the U.S. More details on the system in London on 01 235 7040.

Aerospace

Speech control

IS IT practical to control parts of an aircraft by voice alone? To discover this, the Royal Aircraft Establishment has installed a speech recognition system in a BAC 1-11 aircraft. This controls changing radio frequencies and map displays by simply talking to the machine using single words or short sentences.

Semiconductors

Study

SEMICONDUCTORS with curious names such as fredfets, comfets, gemfets and mosfets are under evaluation by ERA Technology in Leatherhead, Surrey. These are power devices found in a range of electronic and electrical applications.

ERA is preparing a study of these components giving advice on their applications and comparing various types.

UK NEWS

The year the Cavalier won the hearts of the fleets

By Kenneth Gooding, Moror Industry Correspondent

THE Vauxhall Cavalier has provided the key which unlocked the door to Britain's fleet car sector for General Motors. Fleets buy about half the new cars sold in Britaio so success in the sector is essential for any company wanting significantly to increase sales.

The Cavalier's climb from fifth to second place in the list of Britain's best-selling cars helped GM, the Vauxhall-Opel Group, continue its rapid market share advance in 1984.

But the defining popularity of its major rival, the Ford Sierra, which slipped hack three places to fifth among best sellers—contributed largely to Ford's reduced market share last year.

The jury is still out as far as Austin Rover's new fleet contender, the Montego, is concerned. The BL subsidiary admits that it has found fleet huyers much more cautious than it expected and Montego sales did not pick up as quickly as the company hoped.

Launched in May, the Montegn just missed the Top 10 list last year, a list which has changed considerably in character since 1982 when GM with the Cavalier took full advantage of Ford's switch away from the Cortina, Britain's best-seller for most of its 16 years, to the Sierra.

The Cortina, once the fleet huyers' favourite, regularly took 11 per cent of total UK new car sales. In 1984, for the second successive year, no individual model reached 10 per cent of the market. The winner, Ford's Escort, managed 8.99 per cent (157,340 registrations), while the Cavalier achieved 7.55 per cent (132,149).

So the demand pattern has changed as the fleets began to huy from GM as well as Ford and also looked in Austin Rover's direction as well.

The Society of Motor Manufacturers and Traders' statistics indicate that GM's progress, from 14.63 per cent of the 1983 car market to 16.17 per cent last year (against only 11.69 per cent in 1982 before the Cortina was dropped), cootioued to be mainly al Ford's expense.

However, whereas the launch of the Maestro in 1983 enabled Austin Rover lo hold its ground lo spile of being caught up io the struggle between the two largest automotive companies in the world—which had chosen Britain as their main battleground—last year GM's inexorable rise cut savagely into the state-owned company's recovery hopes.

Ford retained the car market leadership it first snalched from BL in 1976 aod remained in sight of the 30 per cent share it maintains it needs lo justify the huge investment it has made in new models and to keep its dealer oetwork healthy.

As market leader, the U.S.-owned group had a major influence on the ferocity of the car wars last year because between September 1983 and April 1984 it declared a moratorium and did not offer the hig dealer incentives which belped create the unprecedented price cutting in 1983.

GM's response was to launch a "fast start" campaign, offering its dealers big incentives to sell as many cars as possible in January and February last year—later extended to include March as well.

The Mntor Agents Association reported at the time that its research showed three out of four dealers were nffering substantial discounts on new cars withnut even being asked for one. Discounts nffered befnre any hargaining began ranged from 10 to 15 per cent.

But by the end nf the year the hahit of offering discounts to telephone callers bad heen broken by 75 per cent of GM dealers in the London area, according to research by the Sewells consultancy organisation.

Mr Michael Marshall, chief executive of Marshalls of Camhridge, a major Austin Rover dealer, explains that the battle has eased "because a great many dealers have realised they cannot live on nil margins forever. The tendency in 1984 was towards small pockets nf fierce discounting and market conditions in general remain highly competitive."

Tn achieve its sales targets last year, GM imported many more cars from its factories on the Continent. Imported cars accounted for 58.38 per cent of GM's total sales — 165,116 vehicles—against 53 per cent (139,027) in 1983.

Both Fnrd and GM have been under pressure from the UK Government to build more cars in Britain and last year Ford hoped to increase the British-produced elemeot in its sales to 60 per cent. In the event it achieved 57.3 per cent against 53.7 per cent in 1983 and reduced the imports among its registrations from 239,742 to 208,053.

Ford says it did not do better because its UK plants failed lo achieve the (reasooable) scheduled output. The company estimates it "lost" production of about 72,000 vehicles in the first 10 months of 1984—and theo came the strike of women seat trimmers which halted production at the end of the year.

Ford also points nut that even those cars assembled in its continental factories often have a substantial UK content—engines from the Bridgend plant for example.

GM, meanwhile, has had to ask for patience until it could huild up production of tbe new Astra at the Ellesmere Port on Merseyside and thus reduce the percentage of imports in its registrations.

So far, GM's market share improvements bave not hrought profits with them. Mr Jnhn Fleming, chairman of the Vauxhall cars husiness, has already given a warning that the company did oot more than break even at best in 1984. He blames strikes in the UK (over pay) and the engineering dispute in West Germany for a loss of £20m in 1984. Critics mainlain that Vauxhall's failure to make a profit bears witness to the fact that GM is "buying" market share in Britain as it attempts tn catch up with Ford in Weslern Europe.

Ooe result of GM's rise as a major importer is that the number of imported cars registered in Britain climbed above 1m in 1983 and stayed there last year. Lnports accounled for 57.52 per cent of *the market, up from 56.92 per* ceot.

Last year was another disappointing one for the other UK-based producer, Talbot UK, the Peugeot group subsidiary. Talbot is banging on hy its fingertips while it prepares for the introdnction later this year of the new "supermini" code-named C28 which will be assembled at Ryton, Coventry.

However, if the French parent decides to put a Peugeot badge on the C28, it will also probahly do away with the Talbot marque completely and give the UK subsidiary an even harder task—convincing the fleet customers that a Peugeot can be a "British" car.

Among the 1984 "losers," the biggest volume decline in percentage terms was suffered by Alfa Romeo wbicb last year took the full brunt of the decision to stop production of the Alfasud and replace it with the larger and more-expensive Alfa 33.

Alfa's new car sales, which reached 13,000 in 1979, slumped last year by 45 per cent from the 1983 levet to nnly 4,266.

Half-way through 1984 the state-owned parent company put in new management team to try a different philosophy—in future it will no longer attempt quickly to rebuild sales volume but instead will cut costs to match, more reasonable targets: 4,500 cars for 1985 and between 5,000 and 5,500 next year.

The parent company has injected £15.5m into its British offshoot to cover losses for the past two years and given it one last chance of survival. The new managing director, Mr Rinaldo Hercolani, has already cut the headquarters staff hy nearly half to 71, cut advertising and promotional expenditure and put up for sale the UK headquarters building opened wilb a fanfare and at the cost of £5m in 1980.

The second biggest "loser" last year, in percentage terms, with another Italian company, Lancia. Its sales fell by 23.7 per cent to 2,639.

Fiat, the parent company, sold off the Lancia import business in Britain to Mr Gerald Ronson's Heron group in January 1983, but so far it has not proved to be one of Mr Ronson's better huys.

Heron paid £8.7m to Fiat for the assets of the UK organisation and also bore the cost of moving into a new headquarters at Ashford, Kent. Mr Ronson confidently predicted at the time that Lancar, as he called his new subsidiary, would be profitable in its second year—1984—and that by 1987-88 he would be selling 25,000 to 30,000 Lancias a year compared with the peak 11,704 in 1978.

But Lancar was not profitable last year and it missed its target of 5,000 sales by a considerable margin.

The company insists it could have sold more cars if it had provided extra financial support for the dealers, in line with most of its rivals, but this would not have been compatible with the major task: rebuilding the image nf Lancia as a quality producer.

Cost-cutting has become the nrder of the day for Lancar, too. Mr Ronson has merged most of its operations with those of his Suzuki car business and closed the Ashford facility.

Lancia was not the only company which refused to be drawn into the extremes of the discount warfare in 1948. Volvo Concessionaires, the Lex Service group subsidiary, which imports Volvo cars to Britain, also chose to accept a drop in volume sales rather than become embroiled in the worst excesses of the price war, according to Mr Peter Turnbull, the chief executive.

The big "winners" last year included some relatively new arrivals to Britain, and companies which have relied to some extent on low prices to make headway. Hyundai, of South Korea, whose cars are imported hy the privately-owned International Motors group of the West Midlands, achieved a 46 per cent increase in registrations to 4,989.

Yugo cars, from the Zastava company in Yugoslavia, and introduced to Britain for the first time in 1981, managed a 33.6 per cent improvement in registrations to 6,190.

To some extent companies such as Zastava, Hyundai, Skoda and FSO, the former Polksi-Fiat company, are benefiting from the gradual move up-market by the Japanese, which has left a price gap at the bottom.

The leading Japanese companies certainly had to work hard for their sales last year. Car shipments are restricted by the gentlemen's agreement between the UK and Japanese industries, but allocations within the quota are made by Japan's Ministry of International Trade and Industry by reference to performance by individual companies in the recent past.

Nissan, needing to keep as much of its existing market as possible for the day when its new UK assembly plant comes on stream, took the gloves off in 1984. For example, the company registered several thousand cars in September and December, even though there were no customers for them. This has the effect of boosting market share but the cars then have to be sold as "used" vehicles, so it is an expensive ploy.

In the event, the Japanese overshot the 11 per cent that is generally accepted to be the limit of their penetration of the British car market, under the terms of the industry-to-industry agreement.

The British were not disturbed because the Japanese based their shipments on forecasts, which suggested that car sales last year would be higher than they actually turned out to be.

However, at 1.749m, they were the second-highest ever, and only 2.35 per cent below the record set in 1983.

UK CAR MARKET 1984

Company	Country	1983 Registrations	1983 Market share %	1984 Registrations	1984 Market share %
WINNERS					
BMW	W. Germany	25,178	1.41	25,785	1.47
Colt	Japan	9,145	0.51	10,559	0.60
Fiat Auio	Italy	46,254	2.58	47,563	2.72
FSO	Poland	4,439	0.25	5,419	0.31
General Motors (Vauxhall-Opel)	W. Germany/ Spain/UK	262,141	14.63	282,835	16.17
Hnnda	Japan	18,796	1.05	18,916	1.08
Hyundai	S. Korea	3,412	0.19	4,989	0.29
Jaguar/Daimler	UK	7,069	0.39	7,544	0.43
Lotus	UK	383	0.02	574	0.03
Mercedes-Benz	W. Germany	13,506	0.75	14,437	0.83
Nissan	Japan/Italy	104,684	5.84	106,360	6.08
Suharu	Japan	3,627	0.20	3,673	0.21
Tnynta	Japan	31,683	1.77	32,702	1.87
Yugo	Yugoslavia	4,634	0.26	6,190	0.35
EVEN					
Mazda	Japan	17,638	0.98	17,505	1.00
Rolls Royce/ Bentley	UK	633	0.04	630	0.04
Skoda	Czechoslovakia	11,059	0.62	11,023	0.63
LOSERS					
Alfa Romeo	Italy	7,763	0.43	4,266	0.24
BL	UK	325,656	18.18	312,054	17.84
Citroen	France	25,751	1.44	24,562	1.40
Daihatsu	Japan	5,198	0.29	4,779	0.27
Ford	UK/W. Germany/ Spain	518,048	28.91	486,971	27.83
Lada	USSR	19,225	1.07	15,033	0.86
Lancia	Italy	3,461	0.19	2,639	0.15
Peugeot Talbot	France/UK	79,495	4.44	70,519	4.03
Porsche	W. Germany	3,333	0.18	3,114	0.17
Renault	France	62,923	3.51	59,779	3.42
Saah	Sweden	9,490	9.53	8,835	0.50
Volkswagen/ Audi	W. Germany	100,727	5.62	96,603	5.52
Vnlvn	Sweden	61,250	3.42	59,072	3.38

Source: Society of Motor Manufacturers and Traders.

GERMAN STEEL INDUSTRY

Saar plant may be running out of time

By Peter Bruce, recently in Volklingen

OF THE three state elections in West Germany this year, the one in the Saarland in March is probably the most important, at least in the short term. If Chancellor Helmut Kohl's Christian Democrats (CDU), who currently rule the Saarland, succumb to a powerful challenge from the Social Democrats, then the CDU will lose its overall majority in the Bundesrat, the country's upper house.

Hunched on the banks of the Saar river, at Völklingen, a few minutes by autobahn from Saarbrücken, the state capital, is a steel plant that could dash the CDU's hopes of retaining the state. It is Arbed Saarstahl, the state's biggest employer, biggest customer to the second biggest employer, the Saarbergwerke coal mines, and it is bankrupt in all but name.

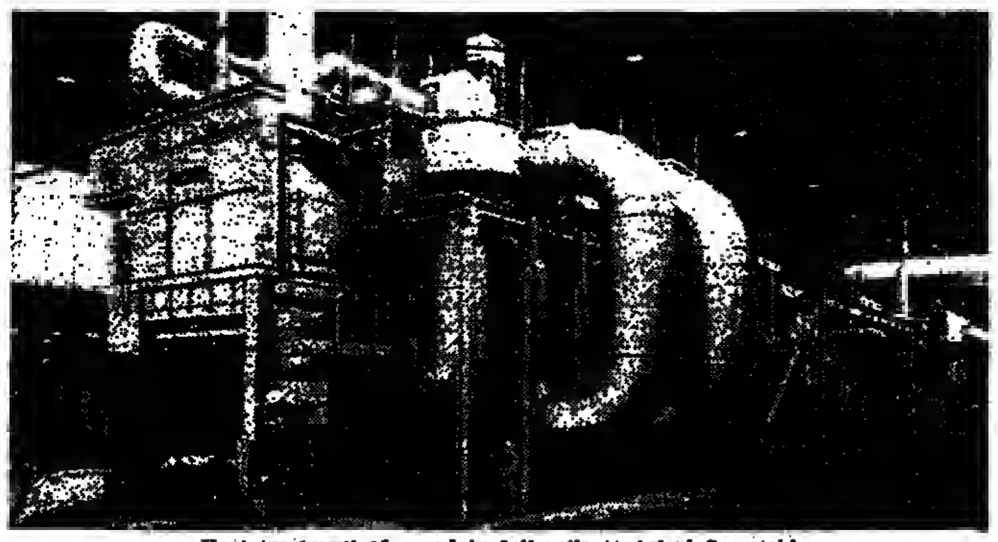
Some experts believe that if Saarstahl is allowed to die, as it is fashionable to argue in more healthy German steelmaking concerns, some 50,000 jobs would go in the Saarland. Bonn and Saarbrücken have an option, bought last year for DM 1 from Arbed, Saarstahl's Luxembourg parent, but no one seriously expects them to ever exercise it. Nevertheless, CDU heavyweights, including Herr Gerhard Stoltenberg, the Finance Minister, are beginning to trickle down to the Saar to offer vague hints of further aid, or at least debt relief.

Whether this comforts Saarstahl management or not is a moot point. They are, to put it mildly, a little stretched at the moment. Herr Hans Georg Rosenstock, the technical director, is doubling up as chief executive/finance director, while his three executive board colleagues have been at the beck and call for the past few months of two management consultancies. One has been asked to find a way to rescue the company, the other is trying to determine if it can be saved.

A gravity that only comes with practice

Saarstahl's depressing plight is by now so familiar to the Germans that its regular requests for aid are chronicled by the local pres with a gravity that only comes with practice. The fact that it has received more support, DM 3.1bn at the last count, than any other undertaking in the nation's history serves as little more than a regular footnote in their reports.

Saarstahl's well-wishers outside the Saarland are very thin on the ground. Italian bureaucrats in the EEC are probably grateful it exists, if only because it is useful as something to throw back at their West German counterparts. The Germans constantly preach the evil of steel subsidies and are insisting that the European Commission sticks to its guns and ends all state payments to steelmakers by the end of the year.



Heat treatment of a rod in full coils at Arbed Saarstahl

Steel has been made in the Saarland since the Middle Ages. Of the sites that remain, the oldest is probably at Neunkirchen, to the east and away from the river. The Dillingen works, down river from Volklingen, grew up in the 1860s. The sites at Burbach, on the outskirts of Saarbrücken and Volklingen, are some 129 and 112 years old respectively.

Saarland's coal reserves also drew steelmakers from Belgium, France and Luxembourg. The Burbach site, for instance, was bought by the Societe en Participation des Forges de Sarrebruck, among whose founders was one Victor Tesch, then Governor of the Societe Generale de Belgique, and an ancestor to the current Arbed chairman, Emmanuel Tesch.

Arbed itself was created by a merger in 1911 and though the Burbach works grew, the company made its next decisive, even fateful, move in Germany exactly 60 years later, when it merged the Burbach works with a second integrated plant run by the Rochling family in Volklingen in 1971.

Between 1971 and 1974, Röchling-Burbach raw steel output rose nearly 1m tonnes to 3.35m tonnes. A new wire mill was commissioned and in 1974, the company made record net profits of DM 81.8m, nearly doubling its income in the year.

That, however, was its last happy year. Along with the rest of the European steel industry, it plunged into crisis after the first oil price shock. By 1977, raw steel output had fallen to 2.3m tonnes, a full 1m tonnes of that loss being absorbed in 1975 alone. Net losses in 1977 were DM 211.8m.

The Röchlings had by this time had enough, and sold most of their half share in Röchling-Burbach to Arbed. At the same time Arbed also took control of the ageing and almost bankrupt intergrated works at Neunkirchen.

With the slump in steel showing no signs of ebating the Federal and Saarland governments were then roped in on a grand plan to restructure and stiffen the region's steel industry. Bonn and Saarbrücken agreed to fund what was now called Arbed Saarstahl to the tune of DM 900m in loan guarantees and a further DM 250m in loans repayable if it ever began making profits again.

The plan itself was radical. Some fourteen blast furnaces, 13 old Bessemer iron converters, 14 rolling mills and 13 coke batteries would be scrapped at the three sites. Neunkirchen in particular would be reduced from an intergrated works with four blast furnaces and eight mills to just two relatively new mills.

Coke and iron production was to be concentrated at the Dillingen works, owned now by the French state-controlled steelmaker, Sacilor. Saarstahl would take a 50 per cent stake in Dillingen's relatively modern blast furnace operations and, along with Dillingen, a minority stake in the coke operation, which would be 49 per cent owned by Saarbergwerke, Germany's second major coal producer.

Given the antiquated state of most of the plant scrapped, it was probably reasonable for Arbed to assume it could restructure and invest its way out of trouble in Saarland.

Certainly, that sort of thinking is still fashionable among most steelmakers. The investments at Dillingen cost DM 1.25bn, which were shared, while Saarstahl also built itself a new steelmaking plant at Völklingen for DM 750m.

Most of that investment is now up and running and many experts say that as steel restructuring goes, Saarstahl's was as good as any. Saarstahl now believes its costs equal other German producers.

Nevertheless, Völklingen has continued to lose large amounts of money. Losses in 1983 were DM 123m. Public loans and guarantees now total DM 3.1bn, of which the state and federal governments are servicing DM 1.1bn only. The redundancy plans agreed for Saarstahl's restructuring cost it DM 80m a year and its operating requirements are being drip fed, with the reloctant approval of the European Commission, by the Saarland Government.

Bonn has sworn not to give it another penny and the Luxembourg authorities in 1983 refused Arbed any further financial help.

Saarstahl, meanwhile, may be running out of time. The Commission in Brussels announced after the Saar restructuring plan had got under way that by the end of this year, all state subsidies to European steel producers must end. Whether its resouve, in the face of backsliding by the Italians and, to an extent, the French, will hold is debatable.

But whatever happens Saarstahl is not likely to be ready to face the world on its own by the deadline despite the optimism of some officials who believe that with prices firming it should at least be able to operate at break even by next year.

A further difficulty is that Saarstahl is trapped by the products it makes—rods, bars, wire, beams and sections. This is relatively unsophisticated stuff and given that its markets are predominantly southern the company comes up against the fiercely efficient Bresciani in Northern Italy. These consist of around 100 producers of so-called "long products," and are so feared that they were once thought to be melting down the rolling stock that brought them scrap metal from France. The Bresciani traditionally pay little attention to the niceties of the Commission's steel price and production quota regulations.

Saarstahl, with the local government and Commission breathing down its neck, can do little to combat the Italian hard sell. Running the company now requires, in fact, a political balancing act of such consuming delicacy that Arbed has been unable so far to find a chief executive with nerve enough to replace Herr Jürgen Krackow, who left at the end of 1984.

Herr Krackow's departure has not, however, prevented a team of German consultants from Munich-based Roland Berger, getting on with drawing up proposals for a further rationalisation of Saarland's steel industry. Their report, commissioned by Arbed Saarstahl's supervisory board (which in Emmannel Tesch, Arbed's chairman and descendant of Victor) is expected to recommend even closer ties, even a merger, with Dillingen.

Whether that would suit Sacilor is an open question. Dillingen is profitable and sells much of its main product, heavy plate, to a Sacilor associate.

It can do little to combat the Italian hard sell

A second group of consultants, McKinsey & Co, is trying to work out whether Saarstahl is, in the medium term, a viable concern. McKinsey was brought in at the behest of the Commission as the price for agreeing to release some DM 100m in aid at the end of last year.

It is not known whether McKinsey will do the polite thing and wait for Roland Berger to come up with restructuring proposals before making its own pronunciation. Either way, it probably doesn't matter. The odds are that McKinsey will bear depressing news for an interim report recently has apparently already raised doubts about the viability of Saarstahl's products. No one in the Saarland or Bonn wants to hear that now.

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(Incorporated with limited liability in England under the Companies Act 1929)

Notice to holders of the 4½ per cent. Convertible Loan 1993 of The Rank Organisation Plc (of which US$41,367,000 in principal amount is outstanding)

The Board of The Rank Organisation Plc ("Rank") considers that certain provisions of the trust deed dated 15th February, 1973 (the "Principal Trust Deed") originally constituting the 4½ per cent. Convertible Loan 1993 (the "Bonds") require amendment and clarification in the context of Rank's development plans including the recently announced disposal of the group's Canadian investment property interests. Given the delays inherent in convening a meeting of Bondholders to make the necessary changes to the Principal Trust Deed, Rank requested Rothschild Trust Company Limited, formerly Rothschild Executor & Trustee Company Limited, (the "Trustee") as trustee for the Bondholders to exercise its powers pursuant to Clause 17 of the Principal Trust Deed to concur in certain arrangements (the "Security Arrangements"). The Trustee, being of the opinion that the disposal and the Security Arrangements were not materially prejudicial to the interests of Bondholders, concurred in their implementation. The Security Arrangements are contained in a trust deed dated 24th January, 1985 (the "First Supplemental Trust Deed"). Details of the Security Arrangements are available in the statistical services of Extel Statistical Services Limited and are summarised in the separate notice to Bondholders set out below.

The maintenance of the Security Arrangements involves Rank in certain costs and administrative inconvenience. Rank is accordingly convening a meeting of Bondholders for 1st March, 1985 to be held at 11.00 a.m., at the Royal Garden Hotel, Kensington High Street, London W8 4PT, to consider, and if thought fit pass, an Extraordinary Resolution to implement further changes (the "New Proposals") to the trust deeds constituting the Bonds.

If the New Proposals put to Bondholders at the meeting (or any adjournment thereof) are duly approved and implemented the Bonds will revert to their original unsecured status and the annual rate of interest on the Bonds will be increased from 4½ per cent. to 5 per cent. with effect from 22nd March, 1985. If the New Proposals are not approved and implemented the Security Arrangements will remain in force, and there will be no increase in the annual coupon on the Bonds.

The New Proposals will involve, inter alia, the following:–

(a) the release of the security under the Security Arrangements;

(b) the amendment of Clause 6(A)(i) of the Principal Trust Deed (which restricts Rank or any Principal Subsidiary from ceasing to carry on its business or a substantial part thereof) including the introduction of a threshold (15 per cent. of the group's gross assets and profits on ordinary activities before interest and tax) below which no disposal would constitute an event of default through a deemed cessation of business; and

(c) the introduction of a borrowings limit under which group borrowings (less cash deposits freely available to Rank) are limited to 1.5 times shareholders' funds after deducting intangible assets.

Copies of a circular to Bondholders providing background and explanatory information on the Security Arrangements and on the New Proposals which, if implemented, will supersede the Security Arrangements, are available for collection at the offices of Rank and the paying agents as set out below.

In accordance with normal practice, the Trustee expresses no opinion on the merits of the New Proposals. It has, however, authorised it to be stated that, on the basis of the information in the circular to Bondholders referred to above, it has no objection to the form in which the proposals are presented to Bondholders for their consideration.

The Board of Rank, who have been advised by S. G. Warburg & Co. Ltd., consider that the New Proposals are fair and reasonable and in the best interests of Rank, its Shareholders and Bondholders. Accordingly, the Board of Rank strongly recommend Bondholders to vote in favour of the Extraordinary Resolution to be proposed at the Bondholders' meeting on 1st March, 1985 and any adjournment thereof. If an adjourned meeting is necessary, it is expected that such meeting will be held on 22nd March, 1985 and that notice of it will be published on 5th March, 1985.

NOTICE OF MEETING

NOTICE is hereby given that a meeting of the holders of bonds representing the US$75,000,000 4½ per cent. Convertible Loan 1993 (the "Bonds") of The Rank Organisation Plc (the "Company") which are constituted by a trust deed dated 15th February, 1973 and a trust deed supplemental thereto will be held at 11.00 a.m. on *1st March*, 1985 at the *Royal Garden Hotel, Kensington High* Street, London W8 4PT, for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the trust deeds constituting the Bonds.

EXTRAORDINARY RESOLUTION

THAT conditional upon and with effect from the execution and delivery by The Rank Organisation Plc (the "Company") and Rank Overseas Holdings Plc ("ROH") of a Second Supplemental Trust Deed (a draft of which is now submitted to this meeting and, for the purpose of identification, initialled by the Chairman) with such modifications (if any) within the scope of this Resolution as the Trustee and the Company may agree, this meeting of the holders of bonds representing the US$75,000,000 4½ per cent. Convertible Loan 1993 (the "Bonds") of the Company which are constituted by a Trust Deed (the "Principal Deed") dated 15th February, 1973 between the Company and Rothschild Trust Company Limited (formerly Rothschild Executor & Trustee Company Limited) (the "Trustee") as trustee and a Deed supplemental thereto dated 24th January, 1985 between the Company, the Trustee and ROH (the "*First Supplemental Deed*") *hereby*:–

(A) sanctions the abrogation of the rights of the holders of the Bonds or of the coupons against the Company and ROH under Clauses 2, 3, 4, 10, 12 and 14 of, and the First Schedule to, the First Supplemental Deed, and the release to ROH of the security fund constituted thereby and sanctions any modification in respect of the rights of the Bondholders or couponholders in consequence of such abrogation and release;

(B) sanctions and assents to the modification of the provisions of the Principal Deed:–

(i) by the revision of the original definition of "Principal Subsidiary" in Clause 1 thereof;

(ii) by the revision of Clause 6(A)(i) thereof; and

(iii) by the introduction of a covenant on the part of the Company to restrict the borrowings of the Company and its subsidiaries so long as the Bonds remain outstanding

all as more particularly described in the circular to Bondholders dated 29th January, 1985 and as proposed to be effected by Clause 4 of the said draft Second Supplemental Trust Deed;

(C) authorises and empowers the Trustee to concur in and execute a Second Supplemental Trust Deed for the purposes aforesaid in the form of the said draft Second Supplemental Trust Deed with such modifications (if any) within the scope of this Resolution as the Trustee and the Company may agree and to concur in, execute and do all such other deeds, instruments, acts and things as may be necessary to carry out and give effect to this Resolution; and

(D) sanctions every modification, variation, abrogation or compromise or arrangement in respect of the rights of the Bondholders or couponholders against the Company and against ROH and against any of its or their property involved in or proposed to be effected by the implementation of this Resolution.

Dated 29th January, 1985

Registered Office:—
6 Connaught Place,
London W2 2EZ

BY ORDER OF THE BOARD
B.C. Owers
Secretary

NOTES:–

1. A Bondholder wishing to attend and vote at the meeting must produce to the Chairman of the meeting the Bond(s), or a valid voting certificate for the Bond(s), in respect of which he wishes to vote. Voting certificates may be obtained from any of the Paying Agents for the Bonds (during normal business hours for tender of Bonds or coupons) against production of the Bond(s) for endorsement with a note of the issue of voting certificates. Voting certificates are to bearer and valid for 56 days from the date of issue. Should a Bondholder not wish to be present at the meeting in person, he may either deliver his Bond(s) or, where this has been issued, the voting certificate in respect of such Bond(s) to the person he wishes to attend on his behalf. During the period of validity of a voting certificate votes may only be cast upon production of such certificate.
2. The quorum required for the meeting is two or more persons present holding Bonds or voting certificates and holding or representing in the aggregate a clear majority in nominal amount of the Bonds. The quorum required at any adjourned meeting is two or more persons present holding Bonds or voting certificates (whatever the principal amount of the Bonds so held or represented).
3. Every question submitted to a meeting of Bondholders will be decided in the first instance on a show of hands. A poll may be duly demanded by the Chairman of the meeting or at least two persons present and holding Bonds or voting certificates together holding or representing in the aggregate not less than one per cent. of the nominal amount of the Bonds. On a show of hands every person who is present and produces a Bond or voting certificate has one vote. On a poll every person who is so present has one vote in respect of each US$1,000 nominal amount of Bonds so produced or represented by such voting certificate.
4. An Extraordinary Resolution means a resolution passed at a meeting of Bondholders duly convened and held in accordance with the provisions contained in the Principal Deed by a majority consisting of not less than three-fourths of the votes cast thereon. An *Extraordinary Resolution is binding upon all the Bondholders whether present or not at such meeting and upon all* holders of coupons appertaining to the Bonds.

AVAILABILITY OF DOCUMENTS

Copies of the circular to Bondholders referred to above, together with the documents specified therein, will be available for collection or inspection as specified in the said circular at the offices of The Rank Organisation Plc, 6 Connaught Place, London W2 2EZ, England, and the offices of the undermentioned paying agents, during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including the day of the meeting and any adjourned meeting and will also be available at the meeting and at any adjourned meeting.

PRINCIPAL PAYING AGENT

National Westminster Bank PLC,
Stock Office Services,
20 Old Broad Street,
London EC2N 1EJ,
ENGLAND

PAYING AGENTS

Citibank, N.A.,
Coupon Payment Department,
111 Wall Street,
New York, NY 10043,
U.S.A.

Pierson, Heldring & Pierson N.V.,
Herengracht 214,
Amsterdam,
NETHERLANDS

Deutsche Bank Aktiengesellschaft,
Stuttgarterstrasse 16-24
D-6236 Eschborn,
WEST GERMANY

Banque Internationale à Luxembourg S.A.,
2 Boulevard Royal,
LUXEMBOURG

The Rank Organisation Plc

(Incorporated with limited liability in England under the Companies Act 1929)

Notice of modification of rights relating to the 4½ per cent. Convertible Loan 1993 of The Rank Organisation Plc (of which US$41,367,000 in principal amount is outstanding)

The US$75,000,000 4½ per cent. Convertible Loan 1993 of The Rank Organisation Plc (the "Company") represented by bonds of US$1,000 each (the "Bonds") was originally constituted by a Trust Deed dated 15th February, 1973 (the "Principal Trust Deed") made between the Company and Rothschild Trust Company Limited (formerly Rothschild Executor & Trustee Company Limited) (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders").

NOTICE IS HEREBY GIVEN to the Bondholders that:—

(1) in order (inter alia) to facilitate the development of the business of the Company and its subsidiaries, the Company and Rank Overseas Holdings Plc ("ROH"), a subsidiary of the Company, have requested the Trustee to concur in modifications to the Principal Trust Deed involving (inter alia) changes to the definition of "Principal Subsidiary" and to Clause 6(A)(i) of the Principal Trust Deed (inter alia) expressly providing that certain stated categories of transactions shall not constitute an Event of Default under such paragraph. The permitted transactions include actual or proposed sales of real or personal property or other assets by a wholly-owned subsidiary of the Company to another wholly-owned subsidiary or to the Company and, provided they are at full value as between a willing buyer and a willing seller (having regard to all the circumstances of the sale) in money or money's worth, sales by the Company or any subsidiary to any person. In consideration of such modifications, ROH has given a charge in favour of the Trustee by way of first fixed legal mortgage of an amount of cash equal to the aggregate principal amount of the Bonds for the time being outstanding plus one year's and one month's interest thereon as security for the payment of principal of, premium (if any) and interest on the Bonds. The Company will pay the Trustee extra remuneration so long as the security subsists for its additional services in respect of the security; and

(2) The Trustee, being of the opinion that such modifications were not materially prejudicial to the interests of Bondholders, has concurred thereto in accordance with its powers under Clause 17 of the Principal Trust Deed. Such modifications are contained in a Supplemental Trust Deed made between the Company, the Trustee and ROH dated 24th January, 1985 (the "Supplemental Trust Deed").

Particulars of the Bonds as so modified are available in the statistical services of Extel Statistical *Services Limited. Any Bondholder who wishes to inspect copies* of the *Trust Deeds* (including the Supplemental Trust Deed mentioned above) may do so at the specified offices of the Paying Agents listed in the Notice to Bondholders set out above.

Dated 29th January, 1985

Registered Office:—
6 Connaught Place,
London W2 2EZ

The Rank Organisation Plc
D. M. Yates
Director

APPOINTMENTS

Director of finance for British Gas

Mr David A. Atkinson, deputy chairman at Segas, has been appointed director of finance, BRITISH GAS headquarters, from February 1. He joined West Midlands Gas as chief accountant in 1969. In 1977 be was appointed director of fioance at Emgas and became deputy chairman at Segas in March 1983.

★

BXL PLASTICS has appointed *Mr Roger Smith* as managing director from March 1. He is currently manager, BP Chemicals, Polyolefins (UK). He will eb located at the London office of MXL Plastics, and will be responsible to Dr Frank Newman who is appointed a director of BP C bemicals on the same day.

★

Mr Colin Reeves-Smith has been appointed managing director of IPC MAGAZINES' WOMEN'S MONTHLIES GROUP. He has also joined the company's main board. He was publishing director.

★

Mr D. N. H. James has been appointed chairman of CGI PENSION TRUST main pension scheme for Ciba-Geigy's operations in the UK. He has been a director of the Trust company since it was formed in 1971 and succeeds Mr K. M. Townsend who retired at the end of 1984. Mr James is group information director of Ciba-Geigy.

★

MOTHERWELL BRIDGE HOLDINGS has appointed Mr James M. Currie, as company secretary.

★

Mr Antoine P. Paseau has been appointed vice-president at FIDELITY BANK's London office. Mr Paseaus, who joined Fidelity in November, is head of the trade finance divsion at the London office. He previously served as senior international manager wis Oriental Credit, in London.

★

Mr Peter J. Witt will be the new director of the BRITISH ROAD FEDERATION from April 1. At preseot he is director of information and training at the Cement and Concrete Association.

★

Mr Michael Montague bas joined the board of PRESIDENT ENTERTAINMENTS a theme restaurants group which obtained a USM quotation last June. He is chairman of the National Consumer Council, and cbairman of Valor.

★

KOHLANGAZ FIRE CO, Darlington, has appointed Mr Phillp Malkin, to sales and marketing director from sales and marketing manager; Mr Ray Garrad, to production director from productioo mnager and Mr Mike Sntter, to financial director from financial manager.

★

Mr Leonard Reece has been appointed finance director of MERLIN PROFILERS.

★

ALLEGHANY INTERNATIONAL industrial division has appoloted Mr Stephen Robinson as director management services, and Mr Ian Barclay, director marketing services. Mr Barclay was director, land and sea systems, for Graviner, a member of the AI International industrial division. Mr Robinson was diretcor of engineering at Graviner and responsible for management information services.

★

The MEXICAN TOURISM SECRETARIAT has appointed Mr Servando Gonzalez, as direclnr for its branch in the UK. His last post in Mexico was director of communications for tbe Secretariat.

★

Executive vice president Mr. Richard J. Borda is leaving WELLS FARGO BANK to join the National Life Insurance Company of Vermont as vice chairman. Assuming his responsibilities is Mr Jacques de La Cbauviniere who has been appoioted senior vice presideot and division manager, Europe, Middle East and Africa based in Loodon. Mr Mark F. Fries, vice president, presently Wells Fargo's representative in Spain, becomes London branch manager.

★

Mr R. G. Thompson has been appointed deputy general manager, CITY OF GLASGOW FRIENDLY SOCIETY. He will continue as secretary.

★

TAYLOR WOODROW has appointed Lord Bellwin as a non-executive director. He served as a Minister with the *Department* of the Environment for over five years until September, 1984.

★

Mr Gary O'Nell has been appointed an associate director of ACLI METALS (LONDON).

★

Mr Richard Gibbs has been appointed an associate director of BRANDTS CONSTRUCTION INSURANCE BROKERS.

★

Mr Kirit Thakar has been appointed an assistant director of ROXBURGHE GUARANTEE CORPORATION.

CONTRACTS

£6m for Balfour Beatty

Three building contracts at over *£6m* have been awarded to Balfour Beatty Construction for work in Edinburgh. The first, ptaced by London & Metropolitan Estates for completion in 18 months, is for construction of a four-storey office block at 118-124 George Street, Edinburgb. The Georgian facade of the original building is being retained, aod the work follows the completion of a contract, also being carried out by Balfour Beatty, for demolition of the building behiod the facade. The second, worth £600,000, is for the upgrading of Red Home at the Edinburgh Royal Infirmary. The work comprises alterations and refurbishment to an existing Victorian two-storey building, used as a medical residence and offices. Completion will be in nine months. The Trustee Savings Bank has placed a contract with the company for refurbisbment and alterations to premises at St John's Road, Corstorphine, Edinburgh. The four month contract is valued at £154,000.

★

Liverpool City Council has appointed the BOVIS design and management team to build three standardised sports halls. These are scbeduled for completion in August with a total cost of over £2m. The SASH (Standardised Approacb to Sports Halls) concept provides an "off-tbe-peg" sports hal, the basic desigu of which is planned to accommodate a wide range of sportiog activities. Eacb basic centre takes on average 37 weeks to construct, although this can be reduced. Construction is divided into sections aod mucb is let to local sub-contractors.

★

Work bas recently begun on a 52-week project for the Welsb Health Technical Services Organisation. Worth around £850,000 to FAIRCLOUGH BUILDING, the contract is designed to ensure that the site is made ready for al future developments at the bospital, wbere a number of additional facilities are currently under consideration.

★

DELTACAM SYSTEMS, Birmingham, has won an order worth £100,000 from STC Telecommunications for a CADCAM system to be used for the mechanical design of telephones.

★

American ocean racing yachtsman Mr Huey Long has chosen SOUTER SHIPYARD of Cowes, Isle of Wight, to build his new 85 ft Maxi racing yacht "Ondine 8." The contract ia valued at £1.2m and building will start immediately for delivery in December 1986. Designed by German Freres. Ondine 8 will be built in "Hi-Tecb" composite materials including carbon fibre, Kevlar and Nomex foam.

★

MORRISON-KNUDSEN CO. INC., of Boise, Idaho, bas received a contract totalling about $50m (£44m) for the renovation of 236 eleetric-powered mass transil railway cars. The contract was awarded by the New York City Transit Authority. The project will begin in mid-1985, with completion expected late in 1986. All of tbe cars will be renovated at M-K's industrial complex at Hornell, New York. Work ineludes complete overhaul of the cars' electrical, mecbanical and ventilating systems, as well as the refurbishing of passenger seating and painting.

★

A £1.5m contract for mechanical work associated with the new Department of Health blood products manufacturing unit at Elstree, Hertfordshire, has been awarded by Matthew Hall Norcain Engineering to Liverpool-based UNITED KINGDOM CONSTRUCTION AND ENGINEERING CO, part of West's Group International. It comprises installation of 600 items of mechanical equipment and includes fabrication and installation of about 30,000 metres of pipiog, half of wbich is stainless steel. Alt the work being undertaken will bave to comply with the *stringent clinical conditions* applied to the plant. Work has started for completion in autumn.

★

WILCON CONSTRUCTION, building division of Northampton-based Wilson (Connolly) Holdings, has been awarded a £1.5m contract for a shopping centre at Anchorage Park, Portsmouth. The 46,000 sq ft development has a 35,000 sq ft supermarket let to Safeway Food Stores, two standard shop units —ooe already let to NatWest Bank—and also incorporates a public house. Work is scheduled for completion by end of November.

★

Phillips and Drew, stockbrokers, has engaged CONSULTANTS (COMPUTER AND FINANCIAL) to embark upon Phase II of a near £1m computer software and hardware installation together with support systems. The new order follows completion of Phase I to supply the FISCAL stockbroking system. Phase II will comprise a nominee/depot module, a private client valuation module, a fund management system and a moneymarket brokerage system.

UK NEWS

Ponting trial may spur official secrets reform

THERE SEEM to be no inhibitions, legal or otherwise, on the ceaseless stream of public comment oo the prosecution of Mr Clive Ponting, a senior civil servant in the Ministry of Defence, for suppiying documentary material to Mr Tam Dalyell, MP, relating to the sinking of the Argentine cruiser General Belgrano by a Royal Navy submarine during the Falklands war.

The discounting of the *sub judice* rule by the commentators is not an aberration but symptomatic of the increasing demand by the public that it should know a great deal more about what is done by government in the name of the *body politic*.

If Mr Pooting's trial, which began yesterday at the Central Criminal Court in London, has its intrinsic interests, it is the context in which the Crown uses the ill-starred and much maligned Section 2 of the Official Secrets Act 1911 that arouses the greater interest.

Civil libertarians bave concentrated their agitation in the past week on the fact that the case – which had previously no national security element in it, but only the crucial question of a public servant's loyalty to the Crown – had suddenly attracted a security aspect. Some of the trial is now to be beld *in camera* and consequently the jury panel has been vetted by security officers.

The expectation is that the trial itself will mainly have interest for what Mr Ponting is going to say when he gets into the witness box. How much more will he reveal about the Government's handling of information about the sinking of the Belgrano after the end of the Falklands' conflict?

The lawyers will have particular interest in seeing whether the judge, Mr Justice McCowan, leaves the issue to the jury of the public duty defeoce, namely, wbether a civil servant has a higher duty to parliament and to the public than his undoubted duty to ministers and to the Crown.

Of abiding interest in official secrets cases has been the constitutional role of the Attorney-General. What influeoce, if not direct or indirect insistence of political considerations, led the Attorney-General to authorise Mr Ponting's prosecution? The allied question is the use of Section 2 in a case such as this.

Ever since 1924, attorney-generals have been sensitive to any suggestion that their prosecutorial *role has been dictated by political* considerations emanating from their ministerial colleagues.

In that year, the first Labour Government took office and instantly ran into trouble.

The Workers Weekly, the organ of the Communist Party, published seditious articles and incitements to mutioy in the armed services. This was too much for Mr Ramsay MacDonald, the Prime Minister and his Cabinet. Sir Patrick Hastings, the Attorney-General, who had had little political experience during a career of outstanding advocacy at the Bar, authorised the editor's prosecution. The left-wing of the Labour Party in the House of *Commons was up in arms and the* prosecution was lamely abandoned, with unfortunate results for both the extremists and moderates in the Government.

The Liberals, egged on by the Conservatives, pressed for an inquiry into the conduct of the Attorney-General and a vote on the question went against the Government. Their decline accelerated by the Zinoviev letter, the Prime Minister and his Cabinet were defeated in November 1924 and replaced by a Conservative administration with a comfortable majority.

The classical statement of the role of the Attorney-General since then bas been that, in deciding *whether or not to authorise* the prosecution in the interests of the Crown, the Attorney-General is entitled "to acquaint himself with all the *relevant facts, including the effect* which the prosecution (successful or unsuccessful) would have upon public morale and order. The one *thing* be may not do is to consider the repercussions on the Attorney-General's personal or his party's or the Government's political fortunes.

Thus he may properly consult his political colleagues for the purpose of informing himself adequately on all the relevant considerations. What is constitutionally impermissible is for him to defer to his political colleagues. Sir Michael Havers has persistently stated that he adhered faithfully to the constitutional doctrine.

Section 2 of the official Secrets Act makes it an offence for any civil servant to communicate any document or information to an unauthorised person, such person being also liable to be prosecuted for receiving the unauthorised information. "Unauthorised person" effectively *means everyone outside the Crown* employment including, therefore, an MP.

As Sir Martin Furnival-Jones, a *former* head of the security service MI5, told the Franks Committee, set up in 1971 to review the operation of Section 2: "It is an official secret if it is in an official file." Even that was too narrow a definition, since the information can be communicated orally and not be from any file.

Given this wide definition, civil servants break the law every day of the week. What might offend against the law is, moreover, determined by the Government of the day. Any minister may reveal *information about his policies and decision-making.* This is, in fact, how advance information is supplied to the parliamentary press lobby. In short, what consitutes an offence is entirely arbitrary.

The Franks Committee recommended the abolition of Section 2, to be replaced by an Official Information Act. Almost every politician – when not in power – and every independent commentator has echoed that sentiment. The Labour Party in its election policy statement of October 1974, promised to replace the section "by a measure to put the burden on the public authorities to justify withholding information."

That promise was never honoured. The section remains. A highly restrictive Official Information Bill was promoted by the present Government, but was hastily withdrawn in the shadow of the revelations of the Anthony Blunt "spymaster" affair. The campaign for a Freedom of Information Bill continues to attract wide public support.

The immediate future of the campaign for more open government may be materially affected by Mr Ponting's trial. If Mr Ponting is acquitted by the jury, presumably on the ground that a civil servant does have a higher duty to report to parliament and members of parliament than he does to his masters, that would drive another nail into the coffin of Section 2. But so many nails have been driven in before, without burying the provision, that no one is sanguine about legislative reform.

Reformers might take greater comfort from a conviction, particularly if it was coupled with n prison sentence. A martyr to a cause always tends to propel the desired change.

Justinian

CAA gives backing to airports expansion

By Michael Donne, Aerospace Correspondent

STRONG SUPPORT for the development of both Stansted in Essex and a fifth terminal at Heathrow, London to meet air travel expansion to the end of the century is given by the Civil Aviation Authority (CAA) in a study published yesterday.

The CAA thus joins other groups in the air transport industry – including the British Airports Authority and airlines such as British Airways and British Caledonian – in arguing that further expansion of London and other airports in south east England is essential to cope with expected air travel demand.

The CAA study is published on the eve of tomorrow's controversial *House of Commons* debate on the future of airports policy.

Many MPs from all parties oppose development of London's airports, believing that further development of airports in the Midlands and the North and Scotland need priority.

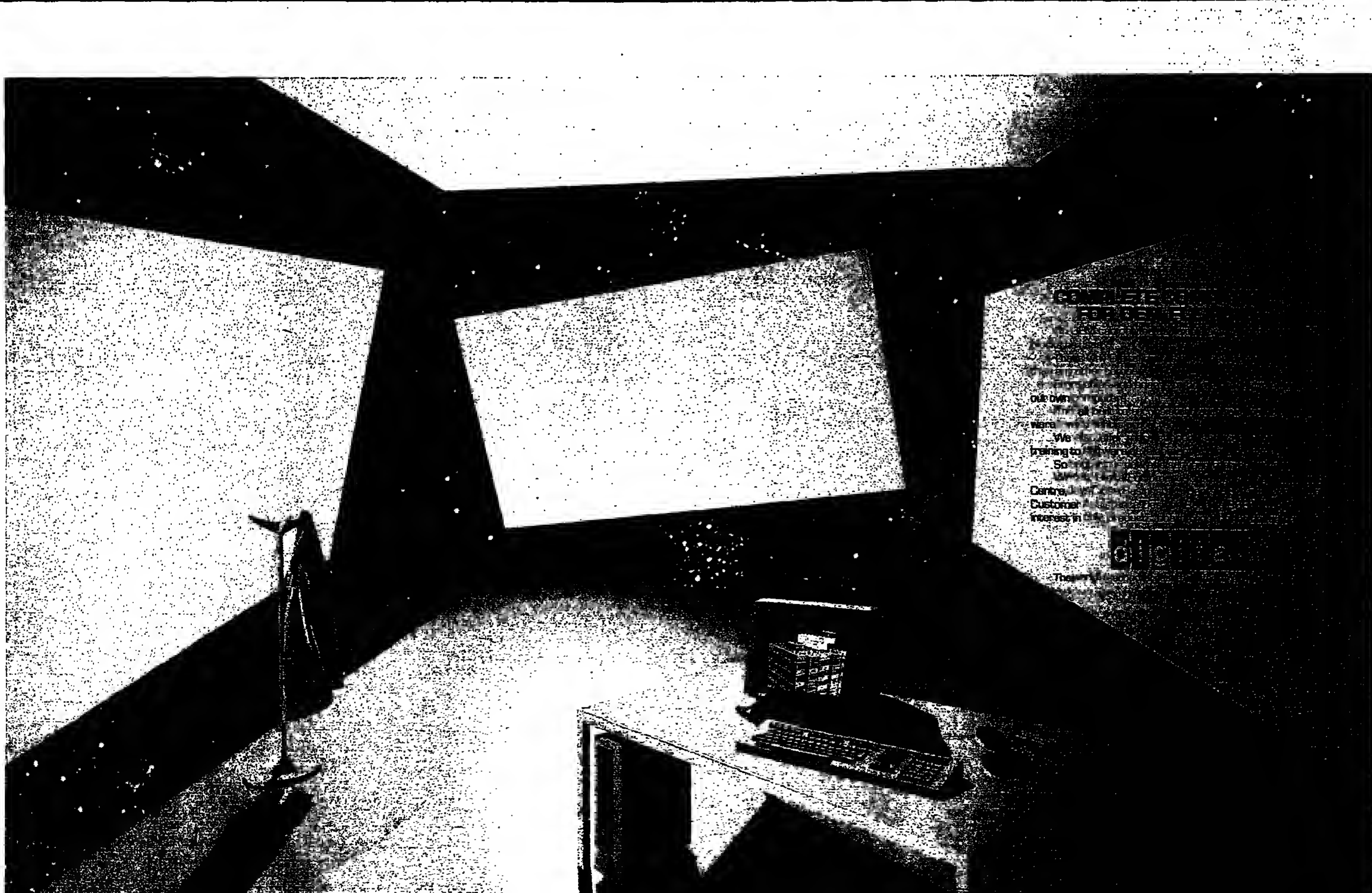
The aviation lobbies argue that, while they also support the development of the regional airports, the London and south east airports also need to be expanded because that is where the bulk of future air travel will arise.

The CAA study shows that even if a fifth passenger terminal were to be developed at Heathrow, and the present proposed limit of 275,000 air transport aircraft movements a year at that airport were to be nbolished, there would still be a need to develop Stansted.

The study thus agrees completely with the recent report from Mr Graham Eyre, QC, the inspector nt the public planning inquiries into proposed developments nt Stansted, that they are not only desirable, but essential to cope with future air traffic in the London area.

It shows that more runway capacity will have to be brought into operation by 1990, because the capacity of the existing runways at Heathrow and Gatwick (south of London) could not cope, even if adequate additional passenger terminals were built at those airports.

The CAA concludes from that that "Stansted's existing single runway offers an opportunity to meet this need," and that Stansted should, therefore, be developed.



Nissan seeks takeover of its UK importer

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

WITH ONLY 18 months to go before Nissan's first British-built car leaves the assembly line, the group will shortly open negotiations to buy the privately owned company which imports its cars to the UK, Mr Nobuyuki Toba, general manager of the Japanese company's new British subsidiary, said yesterday.

He also admitted thet Nissan would have to improve the image of its cars in Europe if the UK assembly operations – involving the annual output of 24,000 cars a year at Washington, Tyne and Wear – were to be successful.

Mr Toba pointed out that Japanese cars in general no longer represented the value for money they once did in Europe. In the past two or three years in particular the European manufacturers had caught up with the Japanese in terms of fuel economy and the high level of specification offered in their cars.

The value of used Nissan cars in Britain has also suffered because they have a reputation for rusting more quickly than average. Mr Toba acknowledged this but said it could not be put right overnight.

Next month, however, the UK import company will begin offering a six-year warranty against corrosion on all new cars as part of a world-wide effort by Nissan to address this particular problem.

If the UK assembly plant, with its low output and relatively high costs, is to pay off, Nissan must find ways to move its cars up-market, to differentiate them from those produced by other manufacturers.

It might also attempt to innovate on the service side of the business. In Japan, cars to be serviced or repaired are collected from the customer's home or workplace and delivered back there when the work is done. "We think that would appeal to British people as well," said Mr Toba.

The drop in the value of the pound against the yen – 15 per cent in the past year – is making the assembly plant look increasingly uneconomic and it is no secret that Nisssan would like to bring forward plans for a 100,000 cars-a-year manufacturing facility with a high level of European components at Washington.

However, as Mr Toba pointed out yesterday, Nissan would build only about 2,000 cars in Britain in 1986 and it was unlikely that a decision about full-scale manufacturing could he made before the middle of 1987.

He acknowledged that Nissan dealers in Britain were at present having a much more difficult job to sell the cars and that some had been giving up the franchise as a result.

Nissan cars have been imported and distributed in the UK since 1970 by a private company founded by Mr Octav Botnar, a German who is still the chairman.

Mr Botnar has an open-ended contract with Nissan, but has indicated he would be willing to sell the import company – one of the most-profitable in the business with taxable profits of £51m on sales of £382m in the year to July 31, 1983.

In view of Mr Botnar's age – he is thought to be in his 70s – and the fact that he has no heir to succeed him, Mr Toba said, "we must talk to him soon" about buying the company.

He accepted that there was some friction between some dealers and Mr Botnar. "We don't mind losing dealers who drop out simply because they can't compete in the present difficult conditions in Britain.

"But we will miss those hard-working dealers who have left because of misunderstandings with the importer-distributor."

Pit activists seek honourable compromise

David Goodhart and John Lloyd assess the attitude of miners' union activists towards the talks which open today between the National Coal Board and the union to try to settle the 10-month pit dispute.

THE MEN who have sustained the miners' strike have been the elected lay officials: the activists, many of them strongly left-wing, who form a unique cadre. It is they who must be convinced any agreement is acceptable before it is accepted; they who must attempt to blow new life into a dying strike if it is not.

None of them thinks the National Union of Mineworkers (NUM) will "win" the strike – the belief which was the official union line until this month. Many believe that real concessions are necessary; many that a failure in talks will result in a massive drift back to work which would end the strike anyway. Some are already critical of the strategy and tactics. All are apprehensive of the effects on the union.

Most do not believe thet the settlement can wholly on the National Coal Board's terms. Better, they think, not to sign in such a case. Most insist that at least some of the 600 men dismissed during the strike – those sacked for relatively small offences – must be reinstated. Some think all must come back before a deal is possible.

Many point to the mechanism which now comes into play: that any deal between the board and tha union must be ratified by a delegate conference, which was empowered, early in the dispute, with the full authority to continue or to call off the strike. That same conference could decide that there should be a ballot, a possibility which some believe will happen.

It is fears of an imminent crack in the Yorkshire heartland of the strike that has been an added pressure on NUM leaders in the past few weeks.

Mr Derek France, an official from Silverwood colliery, where only 25 men out of 1,200 are working, admits: "There is a very great danger of a return if we don't solve it now. The men are no longer just hungry, they're cold and hungry."

He added: "There is now a mood for compromise. But we've got to satisfy people that it hasn't all been a waste of time and walk back with our heads held high."

To Mr France that means reinstating at least those members sacked for minor offences such as stealing coal, but Mr Dave Douglass from Hatfield Main colliery in the Doncaster area, where only 1 per cent of the men are working, said an amnesty had to be total.

He said: "They've accepted back working miners who had been sacked following quite serious incidents and we are going to accept no less."

Yesterday's NUM area council in North Derbyshire – the traditional "barometer" area where just over half the workforce is now back at work – supported the compromise position on amnesty.

One official said after the meeting: "No one admitted it, of course, but to be frank we were talking about surrender terms."

Mr David Crowther, another official, admitted thet there would be recriminations if, as seems likely, the union accepts a deal similar to one it could have had last October. The union would remain intact, however. "Of course a lot of left wingers will lose their positions in the April branch elections, but the people who led the back to work movement have failed to win much support from working miners."

Mr Jack Collins, the Kent area secretary and an influential figure on tha NUM's left wing, called his activist contacts around the country at the end of last week. He discovered he said, that "the strike's not over. They're saying, sure, the lads are having a hard time and they want a settlement, but if they have to they'll stick it out, no doubt about that."

Mr Alan Fidler, one of the few Nottinghamshire striking miners, attended his Gresswell branch meeting last week, where the pit's 88 strikers agreed, without a vote, to stay out until the eight men dismissed from the pit had been reinstated. "Seven of these have been sacked for trivial offences. There's not a chance we'd go back without them."

Mr Fidler accepts that the drift back is a big factor in pushing the union towards concessions but, he argues "the board says 70,000 have gone back. That's not true. From the beginning 40,000 of these were working, so it's only 30,000 that have gone back, even on their own figures. When we talk to working miners at the pit, a lot of them are saying we won't stand for it if Mrs Thatcher rubs the union's nose in it."

Mr Jim Breen is a supervisor in the Kinneil pit in Fife, Scotland. Although he is a member of the supervisors' union Nacods he has been closely identified with the NUM members in Oakley, the pit village where he lives. "They're solid here. They won't go back without a negotiated settlement they approve of."

Mr Alan Beaker, chairman of the Oakdale lodge in Gwent, Wales, believes the solidarity shown in South Wales has its limits and these are now being reached. "We can't go on forever holding out. I think if the talks produced some sort of fudged settlement' it will be accepted. Men in South Wales have got the strong feeling that we've been left out on a limb."

He is sharply critical of the union's tactics."It was fought with the tactics of the 1960s and 1970s and it wouldn't work now. We had to do to them what they did to us: isolate them."

Mr Baker adds: "I don't think we'll go back broken. I think the morale is still fairly high. We'll have terrible problems but we're not finished."

Mr Terry Harrison, branch chairman at the Betteshanger pit in Kent, has a personal stake in the issue of reinstatement. He was dismissed in June last year with 28 of his pit comrades for occuppying the pit. The dismissals took him by surprise and he says that reinstatement is an absolute precondition of agreement.

"We may have to pay for it in other ways, though. They may force us down on the issue of economic closures. There's a lot of pressure on us now, and if the talks fail there'll be a further big drift back to work.

"But there's pressure on them too. If they don't get agreement then what? They'll be faced with maybe 40 per cent of the miners out indefinitely, especially in Yorkshire – and Yorkshire is a lot of the coalfield. They need these lads to accept."

Flotation of British Telecom cost £190m

BY PETER RIDDELL, POLITICAL EDITOR

THE FLOTATION of British Telecom (BT) last November is now officially estimated to have cost about £190m. This is roughly double the expense of all the other privatisation issues since 1979 put together.

A series of parliamentary written answers produce this total after taking into account commissions, fees for advice, advertising the prospectus and marketing the value of free and matching shares supplied to BT employees and initial banking registration work.

The estimate excludes, however, the cost of supplying telephone rental vouchers and bonus shares to shareholders. The answers, mainly from the Department of Trade and Industry, show that in detail:

- Underwriting both the UK and overseas portion cost £22.4m.
- Commissions amounted to £79.1m.
- Fees for advice from merchant bankers, brokers solicitors, accountants and so on cost £7m.
- Advertising and other marketing costs including the prospectus amounted to £17.5m.
- Miscellaneous direct costs were £2.5m.
- The value of free and matching shares to employees was £51.5m.
- Cost to bankers of receiving applications and initial registration work is estimated at about £10m.

A written answer from the Treasury just before Christmas gave an estimated cost to the Government (excluding British Telecom) of £107m, for fees and commissions to underwriters, financial and legal advisers, auditors and stockbrokers.

BTR bid for Dunlop attacked by union

BTR's £33m bid for Dunlop, the debt-laden tyre and rubber products group, was sharply attacked yesterday by the General, Municipal and Boilermakers Union (GMBU), which claims a total of more than 9,000 members at the two companies.

Mr David Warburton, secretary of the Dunlop unions and national officer of the GMBU, said he viewed the motives of BTR, a broadly-based conglomerate with many activities similar to those of Dunlop, with deep concern.

"BTR's track record of job cuts and acquisitions holds no appeal for us. Owen Green (the BTR chairman) has made no guarantee on jobs or on maintenance of Dunlop operations in the UK," he said.

The union claims to have more than 4,000 members out of Dunlop's 17,000 UK employees and more than 5,000 at BTR, which is believed to have about 30,000 employees in more than 100 subsidiaries in the UK.

Mr Warburton claimed that BTR had a record of inadequate pay rates in its subsidiaries and had "constantly refused to meet us at national level even on sick pay."

He added: "I see no reason why we should welcome BRT's bid. If BRT fails and yet seeks to stop Dunlop's refinancing plan, this will tell us more about BTR's real intentions than anything else in this episode."

Dunlop is chaired by Sir Michael Edwardes, who has launched a campaign to lobby support for a £142m refinancing package and to consolidate opposition to the BTR bid.

□ A JAPANESE company told 200 striking members of the Transport and General Workers' Union that they would be dismissed unless they returned to work by Thursday.

IKK, a zip fastener company based at Runcorn, in north west England has had a pay dispute with its workers since January 7. It is the first dispute at the plant for four years and one of only a few disputes since the company set up in the UK 12 years ago.

□ CITY OF LONDON dominance of the UK financial services industry could diminish as a result of the changes now taking place within the industry, according to the Governor of the Bank of England.

Addressing a dinner of the Scottish Institute of Bankers, Mr Robin Leigh-Pemberton said: "One of the results of advances in technology is that exchange floors and physical market places become much less important."

□ WHITEHALL is becoming increasingly worried about its failure to recruit young administrative trainees of the right calibre. Figures show that the Civil Service has been unable to fill all its vacancies in this sector for the third successive year.

□ BRITAIN and Norway achieved record oil production in December in spite of the downward pressure on world oil prices, Wood, Mackenzie, the Edinburgh-based stockbroker said. UK production averaged 2.68m barrels a day, while output in the Norwegian sector of the North Sea reached 800,000 b/d.

□ DELAY in the privatisation of British Airways (BA) has meant that the flotation could coincide with pay negotiations for all employees.

Union leaders are delighted about the delay, caused by BA's continuing problems in U.S. courts over a claim by the liquidator of Laker Airways for damages of more than $1bn. They believe that privatisation in the second half of the year will greatly strengthen their hand in pay talks at a time when BA will be anxious to avoid any disruption which could damage its image.

□ Lenient budget treatment for higher strength wines such as port, sherry and vermouth is advocated by tha Wine and Spirit Association.

It says sales of these wines have performed badly over the past few years, partly a result of taxation policies.

□ MOLINS, the tobacco machinery manufacturer, is delaying the closure of its Northern Ireland factory for a month to give the labour force more time to launch its own engineering company employing 200 workers. The factory was due to close last week with the loss of 437 jobs.

□ EVER READY is to make 121 workers redundant at its County Durham factory which makes the high-selling Silver Seal range of batteries. It said export business had experienced a downturn.

□ McGRAW-EDISON, the U.S. industrial company, has paid nearly £20m for a leading UK manufacturer of electrical equipment for power generating sets. It bought Newage Engineers of Stamford, Lincolnshire, from Charterhouse J. Rothschild in an unpublicised deal late last year.

□ MACHINE TOOL business picked up sharply in the three months to October, according to latest Government figures. Total new orders soared by as much as 22 per cent over the previous three months.

UK NEWS

London and Peking agree to exchange information on space

BY PETER MARSH

THE BRITISH and Chinese Governments yesterday signed a memorandum of understanding that could open the way to joint space projects between the two countries.

The agreement was initialled in London by Mr Geoffrey Pattie, the UK's Minister for Information Technology, and Li Xu'e, the Vice-Minister of Astronautics in the Chinese Government.

The concord, signed at the beginning of a nine-day visit to Britain by a party of 10 Chinese government officials and space engineers, provides for an exchange of information on space issues.

Companies could benefit from joint contracts in areas such as launcher and satellite technology. Under the agreement, British government officials and representatives from companies will be able to visit China to find out more about the country's space activities.

The agreement comes at a time when China is in the process of committing more resources to its space programme.

The country has launched about 15 satellites using its own rockets, which are modified forms of the country's ballistic missiles. The Long March-3, the latest version of these launchers, has placed a satellite in geostationary orbit, 36,000 km above the earth.

According to reports in the West, China aims eventually to develop the Long March-3 into a commercial rocket that would, for a fee, put satellites provided by communications companies into orbit.

The vehicle would compete with existing launchers such as the U.S. space shuttle and Ariane, the rocket developed by Western Europe.

Banks form group to develop intelligent computer systems

BY ALAN CANE

BANK BRANCH managers faced with requests from small companies for financial help may soon have a better weapon at their disposal than the traditional raised eyebrow and pursed lips.

A group of 10 banks and financial institutions in the UK have formed a "club" to investigate and develop intelligent financial computer systems, capable of estimating risk and giving reasoned advice about prospective investments.

The first of these "expert" systems which the club intends to build will be designed to investigate strengths and weaknesses of individual companies in specific industry sectors.

The institutions which have committed themselves, in principle, to forming the club are: Arthur Young, Bank of Scotland, Credit Suisse First Boston, Lloyds Bank International, Midland Bank, National Girobank, Peat Marwick Mitchell, Trustee Savings Bank, S. G. Warburg and Williams and Glyn's Bank. A further 10 institutions are expected to join soon.

The initial budget for the club is £250,000, half of which is being found by the Alvey Directorate, the government body managing the UK's programme in advanced information technology.

Mr Ralph Koehrer, a director of Credit Suisse First Boston, is chairman of the club's steering committee and Mr Peter Corrigan, a partner in Arthur Young, is his deputy.

The expert systems club, called Alfex, has three principal aims:

- To increase awareness within the financial community of the potential of expert system technology.
- To make club members more familiar with ways of developing expert systems.
- To develop, as a pilot project, the small business health assessor expert system.

Helix Software Consultants, a financial systems specialist based in London, and Expert Systems International of Oxford are joint contractors for the project.

Expert systems are one of the most exciting and potentially most effective uses of information technology. Made possible by advances in techniques of artificial intelligence and the falling costs of computing power, these systems contain the combined knowledge of the experts in a given area in the memory of a powerful computer.

Advanced software techniques make it possible to ask the system for expert advice and receive answers which are a weighted average of all the expertise stored in the system.

The systems have been used extensively to assist in medical diagnosis and in prospecting for minerals.

Alfex is one of six expert system community clubs which the Alvey Directorate is launching. Others include process control and quantity surveying.

Mr Adrian Wheldon, of the Alvey Directorate, said he had been surprised to discover that, while the financial world was a sophisticated computer user, it had virtually ignored expert systems until now.

So in a year or so, when a local branch manager gets a request for funds, he will turn from the supplicant to his screen and keyboard and type in "Should I lend this man money?" The system will churn for some seconds and respond: "There is a 95 per cent probability you should throw him out of the office."

Order for frigate 'saves' yard

By Andrew Fisher, Shipping Correspondent

THE GOVERNMENT yesterday awarded two long-awaited orders for frigates worth £140m each, saving Cammell Laird on Merseyside from near certain closure and boosting the dwindling order book at Swan Hunter on the Tyne.

Vosper Thornycroft of Southampton was disappointed in the bidding for the two Type 22 frigates, the last in the series, but this yard hopes to win major frigate orders from Pakistan.

Mr Michael Heseltine, the Defence Secretary, made clear in the house of Commons that Cammell Laird would have had no future without the frigate order.

Last year the yard suffered from industrial action over redundancies and a potential £115m North Sea oil platform order went to Sweden. The remaining 1,700-strong workforce has recently been crossing picket lines to get to work.

If the industrial action of last summer had continued, Mr Heseltine said Cammell Laird would have been out of the running for the frigate contract.

"The courage and determination shown by moderate elements of the workforce at Cammell Laird in the face of the intimidatory behaviour of their former colleagues has averted the almost certain closure of the yard at an early date." Redundancies at the yard in the past year totalled 1,650, of which 700 were compulsory. The only work at present there is HMS Edinburgh, a destroyer due for delivery this summer.

Swan Hunter, at present shedding 2,000 workers as a result of dwindling orders – it is already building two Type 22s – had hoped for both contracts. Mr Heseltine admitted it would have been cheapest to place them at one yard.

It was "wider and relevant factors" that led to the decision to split the order, but the Tyneside yard was also in the running to build one of the new £110m Type 23 frigates, cheaper and more economical than the Type 22s.

Mr Michael Murden, managing director of Cammell Laird, said the frigate order would mean 3½ years' work for up to 900 men, but more work was needed.

Bass in talks to give China advice on beer

By Alexander Nicoll

BASS, Britain's largest brewer, has begun talks which may give it a foothold in China, through the provision of technical know-how to a brewery near Peking.

The negotiations, still at a preliminary stage, were disclosed yesterday at the company's annual meeting by Mr Derek Palmar, its chairman. A team from Tianjin brewery has been visiting Britain since earlier this month as part of a technical exchange with Bass.

Bass and the Chinese brewery are considering "an arrangement by which Bass would provide technical advice to allow the production of high-quality beers in increased volumes," the UK company said.

Bass Ale is already exported to China, but this is believed to be the first know-how deal discussed by any British brewer.

It would be Bass' first contract to help modernise a foreign brewery, although it has given advice in countries such as Bangladesh, where it advised on the production of alcohol-free lager.

THE ARTS

Sheffield: Anthony Whishaw/William Packer

Art of the Cheshire Cat

Anthony Whishaw in his studio

Anthony Whishaw is of the generation of painters which experienced the full shock of the first great wave of the new American painting, the Abstract Expressionism of New York, that hit Europe towards the end of the 1950's. It was not that expressionism was anything especially new, nor that European artists themselves were without similar preoccupations; but New York was then a good deal farther off than it is today and the awful self assurance of these artists, the assertiveness of their supporters, and above all the new large scale and open simplicity of the works seemed shocking.

The effects were devastating: the niceties of European method and attitude, their subtlety, ambiguity, discretion and good taste were simply *swept away*, or so *it seemed* for a while. For a year or two, to be unAmerican was to put oneself quite beyond the pale, or so some artists felt in their darker moments as the latest Art in America slipped through numb fingers to the studio floor. More rational views were eventually restored but the process took time and the crisis of confidence which afflicted so many artists in the interval was very real.

It was all nonsense, of course but it does help to explain why the pace of the career of an artist as good as Whishaw should have been so tentative and slow (its development halting and roundabout.

He is now an associate of the Academy, shows regularly with his dealer in the West End. The provincial museum shows and tours are beginning to happen, but the hiatus in interest and recognition has been very long, and even now he can hardly be called an establishment figure. Yet in the English way he has never stopped painting, and won long ago the respect of his peers: perhaps such ordeals by neglect bring on some of the most interesting and resilient of our artists, who can come back to their true selves in decent obscurity.

Whishaw's exhibition at the Mappin Gallery in Sheffield (until March 3) is made up entirely of work of the last two years or so, 20 large canvasses and eight smaller works on paper, which he describes only half teasingly as landscapes and interiors. For his work, as much apparently abstracted now as it has always been, has never been entirely devoid of conscious, even specific reference worked out from direct observation and experience. Indeed, he has worked from the figure in the past, and is now engaged by an extended series of drawings, collages and paintings based on the figure and the studio interior derived from Las Meninas of Velasquez—but all that must wait upon future exhibition.

Here the work is of those two main *kinds*, though there is some degree of overlap: the studio interiors are, as yet, informed by a more oblique and ambiguous suggestion of an occupying presence, and for their space and formal disposition, facetted and fractured as they are, cast back as far as the Cubists, and to Braque in particular, who, in a succession of great paintings in his later years, worked the same studio imagery and material on the same grand scale that Whishaw attempts. It is not to set Whishaw up as another Braque to acknowledge his ambition and to applaud his achievement.

The landscapes are less clear, consciously so, in the formal organisation of space and image, though they do carry open reference to particular objects, a butterfly here, a bird there, a branch or log, or a tumble of miscellaneous rubble. But they are possessed of a most clear and particular sense of place—theirs is no generalised evocation of wood or field but of a long-known and favoured spot. And the light is not *full* and bright *but* the half-light of dusk, when things are seen, but not quite, and not for sure. Whishaw is fascinated by the sensations of peripheral vision, and what he calls the image that registers itself at the moment before recognition—the twig flicking away from the face as we brush through the spinney, the blackbird swooping away along the hedge, the partridge bursting into the air from beneath our feet.

To point these delicate ambiguities of vision and sensation, Whishaw plays painter's games with us across the surface of his canvasses—technical tricks and jokes and sleight of hand. Now you see it, now you don't. Collage is used, and pretend collage; illusion piled upon what is already an illusion, the paint making what physically lies upon the surface, even protrudes, to move behind the very mark it overlays, and so deeper into the pictorial space; shadow that is not shadow; hard fact that melts away as we look into it—the Cheshire Cat.

John Walker at the Hayward

The Arts Council exhibition of John Walker's latest work will be its first European showing when it opens at the Hayward Gallery tomorrow, to coincide with the Renoir exhibition. Most of the large scale oil abstracts of the last five years were painted in the U.S. and Australia, where the Birmingham-born painter has been living. The exhibition consists of paintings from the "Alba" "Oceania" Series, 1979-84.

Award for Royal Ballet's 'Nutcracker'

The Royal Ballet's current production of *The Nutcracker* has received an award under the Business Sponsorship Incentive Scheme, launched by Lord Gowrie last October.

The scheme is designed to attract new sponsors and encourage existing *ones*. £1m has been allocated annually by the Minister for BSIS awards to arts bodies in the form of a matching grant equal to one-third of any new sponsorship they can obtain from industry.

Chico Freeman/Ronnie Scott's

Kevin Henriques

Chico Freeman from Chicago is one of the few new eminences of the tenor-saxophone who does not follow steadfastly in the tradition of John Coltrane. Inevitably, some of that late master's influence is perceptible but even on soprano-sax Freeman avoids the Coltranian sound and phrasing and is very much his own man, as he is presently proving.

Like most of the truly interesting tenorists of today Freeman remembers the past masters of the instrument in fashioning his own more contemporary approach which lacks a personal tone but which is notable for its jaggedness in phrasing and appreciation of space. In this respect the style of Charlie Rouse, for long sideman Thelonious Monk, comes to mind. As it happens Monk is often recalled during the Freeman quartet's generous-length sets by virtue of the playing of pianist Mark Thompson, one of whose featured compositions is entitled "Monk 2000."

Thompson is a forceful, two-handed player full of rhythmic invention and sparkle who, in the latter field, recalls to mind the flashy excursions of that forgotten near-jazz pianist Carmen Cavallaro. But Thompson, like his leader, has assimilated many influences, including Monk, and plays with full-heartedness, even if at times he overdoes the tremolos and zip chordes. Yet he proved his sensitivity and subtelty on the opening night of the two-weeks' residency with a commanding solo on "It never entered my *mind.*"

On the same evening Freeman, perhaps a little uncertain of audience response, trod a safe path with his repertoire and, maybe to test the water, even cajoled his listeners to begin one number by clapping on time *en masse*. Having successfully achieved this he launched into a blues. On Friday, before a larger crowd, Freeman changed his tack, dropping this item, playing mainly originals by himself, Thompson, and bassist Cecil McBee, and also playing soprano saxophone and bass clarinet. On the latter he and McBee, playing exquisite arco, provided one of the night's memorable moments in a haunting opening sequence to one of the pieces.

The quartet is completed by Freddie Waits, an experienced drummer, who drives everything along relentlessly without much attention to dynamics but whose drum solos (especially the one *sans* sticks or brushes) will satisfy those who enjoy percussion spectaculars.

Barenboim/Festival Hall

Dominic Gill

The accomplishment of Daniel Barenboim's Beethoven sonata recital on Sunday afternoon was never in doubt. The Pastorale sonata in D major (op. 28) was wonderfully deft and delicate in its opening pages, the tempo much slower than usual, but nothing about the unfolding tentative, every gesture powerfully controlled. His Waldstein sonata (Op 53) was cogent, incisive, brightly coloured, everywhere made with scrupulous attention to the detail of the score. His reinterpretation for the modern piano of Beethoven's revolutionary pedal markings in the finale was among the most successful I have heard. The prestissimo coda was exciting and very fast: enough to have attempted, though he did not, some authentic glissando octaves.

Yet for all its unarguable command and perception — the technical command in particular seems indestructible — the playing was always more impressive as piano playing than as Beethoven playing. The sonatas could as well have been by Brahms or Faure for all they demonstrated the hallmarks, the sinew and rawness of vision, of Beethoven. The biggest climaxes, as the moments of highest tension, had an air of facility rather than immediacy, of genialiaty rather than the utmost concentration.

I remember a characteristic Barenboim performance some years ago of Schubert's C minor sonata, whose adagio he delivered with marvellous facility and in its own way with the greatest refinement, but without a trace of mystery or melancholy—almost as if he were impatient with a fundamental aspect of the music, an essential unsmiling Schubertian wistfulness, wherever it appeared. His account of that luminous gem of all Beethoven sonatas, Op. 78 in F sharp major, was similarly impatient, rendered almost commonplace by the ease and masterly detachment of the delivery. The greater part of the mystery beneath the exquisite surface of his performance of the E major sonata Op. 109 was left merely unexplored, untouched.

Dame Mary Warnock to give Dimbleby Lecture

Dame Mary Warnock, Mistress of Girton College, Cambridge, will deliver the 1985 Richard Dimbleby Lecture to be broadcast on BBC-1 on Tuesday, March 19. The title of her lecture will be *Teacher, Teach Thyself—A New Professionalism for our Schools.*

She will argue that a new approach is needed among teachers to govern their training, their relations with pupils, parents and with one another.

The lecture coincides with Education Minister Sir Keith Joseph's controversial proposals for teacher assessment.

Dame Mary Warnock was formerly Fellow and Tutor in philosophy at St Hugh's College, Oxford, and headmistress of the Oxford High School.

LPO appointment

John Willan has been appointed managing director of the London Philharmonic Orchestra with effect from April 1. He has been with EMI for 10 years.

Guarneri Quartet/Elizabeth Hall

Andrew Clements

Next month the Guarneri Quartet celebrates the 20th anniversary of its debut. It has survived since that first concert in New York with its personnel unchanged and with an approach to music making that has not changed in essence either; the sheer ebullience and physical address of its early recorded performances may have been tempered, but a somewhat dry, springy touch and sharp rhythmic bite remain most characteristic of the Guarneri's style.

The group has a wide classical and romantic repertory, but on recent visits to London its programmes have been focused on Beethoven. Sunday afternoon's Elizabeth Hall recital was devoted entirely to that composer—the first quartet in F major from Op. 18, the F major Op. 135 and the E minor, the second of the Op. 59 set. Anyone reared on, for instance, the Busch Quartet's Beethoven recordings or even, very different, those by the Quartetto Italiano might well find the Guarneri too lean and under-expressive. Certainly there is no attempt to cultivate succulent tone, and expressive emphasis tends to be laid on rhythmic pointing rather than overt rubato.

In Op 18 no 1 that can be entirely appropriate and the rangy first movement (the exposition repeat omitted) was tightly confined, the development muscular in away typical of the players. The rest of the work, too, was sustained on similar restrained lines, and where in the other two quartets bold, uncompromising playing was demanded—the scherzo of Op 135 and the finale of Op 59 no 2 pre-eminently—it would be hard to conceive of a group more perfectly suited to it.

Doubts creep in over the inclination of the quartet to encompass fully more expansive music. The slow movement of Op 135, for all the purity of Arnold Steinhardt's decorations, was not *all sublime* in the expected sense, while the Molto adagio of the second Rasumovsky was parsed in short-breathed paragraphs so that too lost its cumulative effect. So much about the Guarneri's playing is superlative, however, that one is loathe to quibble too much.

More Tippett/Festival Hall

David Murray

The 80th birthday celebrations for Sir Michael Tippett continued on Sunday night; with Walter Weller conducting the Royal Philharmonic in his Symphony No. 2. There was a strong sense, however, that they were *on safer ground* in the rest of their programme.

They began with the *Death and Transfiguration* of Richard Strauss, which found the orchestra in confident form and the conductor in easy sympathy with the music. The moribund phases of the piece were properly frail and febrile by turns, and the "transfiguration" had enough breadth to *avoid* brazenness. At climaxes secondary voices — were submerged nonetheless beneath the brass, and elsewhere an extra edge of hysteria was wanted to carry Strauss's fitful continuity through. A creditable performance: *say, beta double-plus.*

In Mozart's Piano Concerto in A, K 488, the faultless soloist was Radu Lupu, who sat impassively in a straight-backed chair and occasionally leaned slightly forward. A less showy performance could be achieved only by refusing to touch the notes at all (there was, indeed, a lot of the famous Lupu pianissimo): one had to shut eyes to be sure that the playing was as scrupulously lyrical as in fact it was. In duet with the orchestra—and Weller was a most faithful partner—Lupu's lightest asides carried magically, though discreet, almost to *vanishing point*. The Adagio was poignantly plain. Whether more extrovert manners can set the character of the concerto in higher relief is a matter of opinion.

The Tippett Second sounded well-prepared to the point where, with one more rebearsal, it should have displayed a convincing grip. There were many passages to admire, *where* the trying balance-problems that Tippett sets were resolved with sonorous finesse; but they remained individual passages, not firmly enough skewered together by any long-range thrust. The musculature of the Allegro, *once past a helter-skelter start*, was *almost* taut enough; the Adagio found its voice better and better, with a beautifully dark close (softly mooing horns excellent)—but then the Presto was embarrassingly cautious, and the Finale all stop-go despite luminous moments. One more degree of practised empathy would have made all the difference.

Pianola fun/Purcell Room

Dominic Gill

An evening with Rex Lawson, king of the British pianola and player-piano, is *always* interesting, often fascinating, never less than fun. On Friday night Mr Lawson's concert of mechanical piano music even included two world premieres of Stravinsky — since the versions of *The Rite of Spring* and *Petrushka* which the composer devised in the early 1920s for performance on two pianolas had never before, *surprisingly*, received a complete public performance.

The distinction between pianola and player-piano (or "reproducing piano") is important. The player-pianos of Welte-Mignon, Duo-Art and Ampico were the gramophones of the pre-electric era, at the height of their development *piano-machines* of the greatest sophistication, designed to reproduce as faithfully as possible the original performance of the artist whose playing was recorded. The pianola was an earlier and less mechanically sophisticated pneumatic device, usually attached to a piano rather than integrally part of it, which could deliver the notes of the music, but no more: water-wings for the swimmer, crutches for the lame.

It was that very limitation, however, which proved to be an essential part of the pianola's attraction — and to a large extent explains the great popularity it enjoyed during the first 40 years of this century, as well as its continuing attraction today. For the pianola delivers the notes the operator's fingers cannot *play; released from* that wearisome obligation, the operator, pumping the pedals and twirling the levers to make the music *slower* or *faster*, louder or softer, and thereby adding "expression" to the notes, is miraculously transformed into artist.

The proposition is seductive —and certainly gives to the operator (*I have tried it many* times myself) the illusion that by gaining control over a few of its elements, however imprecisely, he is somehow more intimately involved with the unfolding of the music.

Although the reproducing piano was in fact the better medium for his musical purposes, Stravinsky saw his pianola scheme both as an intriguing technical exercise and as a useful means of widening his audience. Both the *Rite* and *Petrushka* are arranged for their pianola medium with brilliance and imagination: but they are copies of orchestral models, and by its very mechanical limitations the pianola is less successful in *creating* the illusion of orchestral tone-colour on the piano than four live human hands. His *Etude pour pianola* of 1917, which we also heard, is another matter: an exhilaratting study in keyboard combinations and contrasts impossible to encompass with two hands, and correctly performed with the minimum of expressive intervention.

A scene from Up 'N Under which opened last night at the Donmar Warehouse in London. The production from Hull Truck won last year's Laurence Olivier comedy award and was warmly reviewed on this page. It plays on a double bill with the same company's nightclub idyll Bouncers. Meanwhile, in Hull, the company unveils tomorrow night a new work, Shakers, to be reviewed later this week

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Jan 25–31

Opera and Ballet

WEST GERMANY

Cologne, Opera: Premiering this week is Katja Kabanova, a Harry Kupfer production with Helga Dernesch, Delores Ziegler and Matthias Hölle. Die Verkaufte Braut rounds off the week. (20761).

Stuttgart, Württembergische Staatsoper: There was much applause for Gian Carlo del Monaco's production of Werther, when it premiered last week. Further performances are Hänsel and Gretel and The Magic Flute. (20321).

Berlin, Deutsche Oper: Don Giovanni has Moser and Lucia Peacock as leads. Die lustigen Weiber von Windsor is a Winfried Bauernfeind production. Madame Butterfly features Eugenia Moldoveana and Giorgio Merighi. (34381).

Hamburg, Staatsoper: This week's highlight is La Traviata, with Nelly Miricioiu and Luis Lima. Zar und Zimmermann is a well done repertoire performance. Madame Butterfly, sung in Italian, convinces thanks to Raina Kabaivanska in the part of Cho-Cho-San. (351151).

Frankfurt, Opera: A new production of Falstaff, produced by Christof Nel. Louis Quilico appears in the title role. Parsifal, the controversial production by Ruth Berghaus, has fine interpretations by Walter Raffeiner and Gail Filmore. Also this week Don Pasquale and Fidelio, the latter starring Lisbeth Balslev. Barbara Bonney and Hermann Winkler. (25621).

Munich, Bayerische Staatsoper: The highly acclaimed production of Honegger's *Johanna auf dem Scheiterhaufen* features Kornelia Wulkopf, Julia Varady and Claes H. Ahnsjö. Hindemith's Cardillac by Jean Pierre-Ponnelle is worth a visit. La Bohème brings together Adriana *Maliponte and* Giacomo Aragall. (21851).

LONDON

Royal Opera, Covent Garden: La Traviata, in the old and sadly faded Visconti production, serves for the return of one of the most moving of today's Violettas, Ileana Cotrubas; Colin Davis conducts, and the cast includes Neil Shicoff and Norman Bailey. (2401066).

English National Opera, Coliseum: Reginald Goodall, arguably the world's greatest living Wagner conductor, returns to London to lead a new production of Tristan and Isolde (borrowed from Holland) by Götz Friedrich; Alberto Remedios and Johanna Meier (London debut) take the title roles, with Linda Finnie (Brangäne) and Geoffrey Chard (Kurwenal). The 1950s New York updating of Rigoletto, the company's most famous production in recent times, returns in brilliant form, superbly well sung and, by John Mauceri, superbly conducted. Tosca serves to introduce the heroine of Phyllis Cannan, a warm, gleaming Puccini soprano. (8363161).

ITALY

Naples: Teatro San Carlo: Turandot conducted by Daniel Oren and directed by Alberto Fassini with Ghena Dimitrova, Cecilia Gasdia, Giuseppe *Giacomini* and *Carlo del Bosco*; two ballets with choreography by Vladimir Vassiliev, danced by him and Elisabeth Terabust, entitled Il Tango and La Mia Storia. (41.82.68).

Milan: Teatro alla Scala: The Barber of Seville conducted by Piotr Wollny with Martha Senn, Marta Taddei, Paolo Barbacini and Carlo Folcia; a revolutionary new version of Swan Lake by Zeffirelli (choreography by Rosella Hightower) – in which the dual role of Odette/Odile will be split: Alessandra Ferri will dance the White Swan and Carla Fracci the Black, with Maurizio Bellezza as the Prince (Wed) – and Thur with Renata Calderini, Anna Razzi and Marco Pierin. (80.91.26).

Rome: Teatro dell'Opera: Handel's Giulio Cesare conducted by Gabriele Ferro and directed by Alberto Fassini with scenery by Anne and Patrick Poirier. In the cast are Margarita Zimmermann, Claudio Desderi, and Bernadette Manca di Nissa and Montserrat Caballe on Wed. (46.17.55):

PARIS

Alexander Dargomyjski's Le Convive de Pierre based on Pushkin's version of the Don Juan myth is an opera essentially vocal and rarely performed. Conducted by Jean-Claude Casadesus in an Otomar Krejca production, Don Juan is sung by Allen Cathcart, Dona Anna by Mariana Nicolesco/Helene Garetti and Laura by Glenys Linos/Eva Saurova. Salle Favart-Opera Comique (2960611).

Tristan and Isolde conducted by Marek Janowski in a new production, co-produced with the Cologne Opera with Tristan sung by René Kollo/William Johns, Isolde by Ute Vinzing/Gwyneth Jones and Brangäne by Nadine Denize/Waltraud Meier at the Paris Opéra (742.57.50).

NETHERLANDS

Diaghilev programme from the National Ballet. Les Biches (Nijinska), Apollon Musagete (Balanchine) and Petrushka (Fokine). Amsterdam, Stadsschouwburg. All week except Fri and Mon (242311).

Nederlands Dans Theatre with Ejeld Mass (Martinu/Kylian). Five sketches (Hindemith/Van Manen), Anatomy *Lesson* (*Landowsky/Tetley*) and Converge (Purcell/Duato). Nijmegen, Stadsschouwburg (221100), Leeuwarden, De Harmonie (139225).

Amsterdam, Carre Theatre. The Merry Widow *performed* by the *Hoofdstad* operetta company and directed by Alexander Pichler. All week except Mon (225225).

The Netherlands Opera in Handel's Orlando directed by Filippo Sanjust. The Radio Chamber Orchestra under Nicholas Kraemer, with Jard Van Nes in the title role and Ann Dawson as Angelica. (Thur). The Hague, Koninklijke Schouwburg (469450).

VIENNA

Staatsoper (5324/2655): La Traviata with Gruberova, Carreras, and Pons. The Flying Dutchman; The Magic Love Potion by Donizetti conducted by Arena with Battle, Pavarotti, Wixell and Panerai; Manon; Die Fledermaus with Janowitz, Fassbänder, Gruberova, Moser.

Volksoper (5324/2657): The Magic Flute; Orpheus in the Underworld; La Vie Parisienne; Hello Dolly; The Beggar Student.

NEW YORK

Metropolitan Opera (Opera House): James Levine conducts Otello with Placido Domingo and Sherrill Milnes, as well as Wozzeck with soprano Hildegard Behrens and baritone Christian Boesch. The week also includes Ariadne auf Naxos conducted by Andrew Davis and starring Jessye Norman and last performance of the season of The Tales of Hoffmann conducted by Jules Rudel with soprano Catherine Malfitano and tenor Alfredo Kraus. Lincoln Center (3626000).

New York City Ballet (New York State Theater): The 81st season continues with mixed programmes that include 17 Balanchine, 8 Robbins and 3 Martins ballets. Ends Feb 24. Lincoln Center (8705570).

WASHINGTON

Washington Opera (Terrace): Zack Brown's 1981 production of The Rake's Progress conducted by Nicholas McGegan is performed in repertory with Leon Major's new production of L'Italiana in Algeri conducted by Joseph Rescigno with Francois Loup as Rossini's comic Mustafa and Mimi Lerner as Isabella. Kennedy Center (2543770).

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The markets take control

SUPERFICIALLY, THE two-point rise in interest rates yesterday looked like a repeat performance of the one and a-half point rise on the previous Monday; but, in fact, there was all the difference in the world. Last week the Government jumped; it wanted to impress the markets with its concern over the slide in sterling and its determination to arrest it; and almost up to the close of business in London on Friday, the attempt looked successful. Sterling stabilised, albeit at a low level against the dollar; more significantly, perhaps, the Government Broker was able to make large sales of long-dated stock.

On Friday night, with rumours of dissent among the oil producers, the signs of a renewed slide appeared in New York; actual dissent at the Opec meeting yesterday completed the damage. The markets took control. This time the authorities did not jump; they were pushed.

Difficulties

It would be a waste of time to try to apportion praise or blame for the moves made yesterday. The markets and the authorities are contending with an unusually high level of uncertainty; there is not at the moment enough material to support hindsight, let alone forward planning.

On a rather longer view, however, the Government's troubles, while they are partly due to bad luck, also reflect bad management; and it is not too early to begin thinking how to do it better next time. This will certainly not be the last scare over oil prices, or for that matter over the UK's own oil production and revenue. These events will cause trouble with the exchange rate. Need they cause so much trouble?

The Government's bad luck has been concerned not so much with oil—Opec's present difficulties have been foreseen and widely discussed for some time now—but with the coal strike, which has added a further layer of uncertainty, and with the market's continuing obsession with the dollar rate rather than trade-weighted average. The bad management has partly been that efforts were not made to stabilise sterling rather further ahead of the foreseeable troubles of January. But this is hindsight. What has really made the present crisis so hard to manage is a much more general loss of credibility in the markets.

It is hard to put any exact date to this. The Government has appeared accident-prone ever since its re-election. The acidents have not been very grave ones, however. They would probably have done little damage but for two more deep-seated problems. The Government was re-elected with no clear programme, and has failed to develop one since; and at the same time, its actions do not seem to match its words. This is the worst sin, in the eyes of the markets.

There is no need to take sides in the City controversies about whether monetary growth has actually slipped above its targets and been somehow concealed. On the official figures, it has been near the high end of a not very demanding range. This is a perfectly defensible policy, but it in no way matches the stern anti-inflationary rhetoric of ministers, which has been increasingly seen as a smokescreen. Equally, a large overshoot in a borrowing requirement already distorted by asset sales has undermined confidence, as witness the incredulous reception of the Government's spending plans last week.

Uncertainties

The suggestive evidence that not only the Bank and the Treasury are sometimes at odds, but that both are sometimes at odds with Number Ten (as seen in Downing Street briefings on sterling, or the Prime Minister closing some of the fiscal options Mr Lawson is known to favour) further increases uncertainty—and markets hate uncertainty.

If the Government is to regain control of events once the oil situation becomes clear—and it is notable even now that there is nothing in the oil spot or future markets to reflect the wilder guesses circulating in the financial markets—it must look both to its policies, which need to be clearly achievable and as clearly stated and explained, and to its communications. The costs of secretive dithering is high.

Criteria for a coal agreement

TALKS about talks which could lead to the end of the British miners' dispute take place today. It is very important for everyone concerned that the settlement should be durable.

Miners' strikes, and the threat of them, have been a periodic feature of British history this century. This one has been the longest and, from the point of view of the miners, potentially the most disastrous. It has been less disastrous for the country as a whole partly because some of the miners carried on working, partly because there were substantial stocks of coal as well as other sources of energy available, and partly because it proved possible to move sufficient coal and oil to the power stations by road. But it has not been an experience that anyone would wish to go through again.

That is why the terms of the settlement matter so much. It would be absurd for the Government and the National Coal Board to behave as if everything can go on as before once the striking miners have gone back to work. True, there is unlikely to be another coal strike in the near future, if only because the National Union of Mineworkers has been so badly battered. Btu to count on a period of relative calm is not a substitute for policy.

Constraints

It would be equally absurd to base a settlement on a new Plan for Coal, at least with capital letters. There have been almost as many Plans for Coal over the years as there have been miners' strikes. None of them has been very realistic either in its forecasts of future demand or in its assumptions that the industry would grow more efficient. There is no reason to think that another one would be any better.

The necessity now is to break away from the old constraints. Those have been threefold. One—now possibly broken—is that if the miners put on a show of industrial muscle, they will usually win most of what they want. The second is that, in the end, British coal output will always be subsidised and protected. The third is the belief that the structure of the industry is sacrosanct.

It ought to be possible for the present Government to change all that within the lines of its economic policy which, at its best, is to make British industry more competitive, while providing a safety net and retraining for those workers who are temporarily displaced. The second part of that policy is just as important as the first. The Government and the coal board must make clear their determination to help the communities where pits have to be closed: only through more varied job opportunities will the isolation and clan-like culture of these communities be altered.

Decentralising

Without closures, the chances of the industry becoming competitive are non-existent. About 10 per cent of the pits account for 80 per cent of the coal board's losses, thereby pushing up the average price of coal and the burden on the consumer. The offer already on the table allows for thorough review procedures, involving a third party, whenever the question of closure arises. Although the final decision must rest with the management, the reshaping of the industry can be carried through only by consent.

Closures, however, will not be enough. There is no reason why imports of coal should be discouraged once the strike is over. The aim must be to make coal compete in the market place—along with imports and with other sources of energy, and ultimately without subsidies.

The present structure of the industry, with a monolithic coal board facing a monolithic union, does not serve the country well. Whether or not the NUM itself splits up as a result of the strike, there is a strong case for decentralising management decisions (including the conduct of industrial relations) and for introducing different forms of ownership, perhaps including worker or management buy-outs.

That is for the longer term. The immediate task is for the coal board to secure an agreement which is clear and unambiguous on the central issue of uneconomic pits; it should be in no hurry to settle unless and until such an agreement is forthcoming.

UK INTEREST RATES

The highest for 150 years

By Clive Wolman

THE 2 percentage point rise in base rates yesterday has pushed up the real cost of borrowing from the banks—after adjustment for inflation—to its highest level for at least 150 years.

The banks' base rate of 14 per cent contrasts with a current inflation rate of just under 5 per cent and a forecast inflation rate for the next year of about 6 per cent.

For companies, the upsurge in cash flow over the last two years has meant that most are much less vulnerable to a rise in interest rates. But clearly many finance directors will be thinking again before embarking on major investment projects. The sharp rise in interest rates will offset some of the export advantages that they have received from the fall in sterling.

For the home owner and small saver the consequences are likely to be mixed. The Building Societies Association has decided to wait until February 7 before meeting to discuss a possible further hike. If interest rates by then have started to move down again, there is a small chance that those societies and banks which have already announced mortgage rate rises over the last two weeks will make no further adjustments. The flow of funds into building societies has been strong over the last two months.

But with the peak spring season for house purchases and mortgage finance approaching, a further rise in the mortgage interest rate of 1½ to 2 per cent is more likely.

If this happened, the monthly repayment bill for home owners would still be below the previous peaks in 1975 and 1981-2. In previous periods of high interest rates—by contrast with the present — mortgagors have been more than adequately compensated by the rapidly rising value of their homes. It was the experience of the 1970s that gave rise to the popular view that borrowing money with tax relief on the interest to buy a home offers high and secure returns. And that perception will doubtless take several years to change.

The 4½ per cent rise in bank base rates this month does not, of course, mean everyone suffers. The direct effect is merely to transfer income from borrowers to savers. And the Department of Employment's Family Expenditure Survey for 1983, published in part last week, does not suggest that the effect is to make the middle-class better off at the expense of the poor.

The major transfer is rather between different age groups. The biggest savers are those in the 50 to 65 age group approaching retirement, who will benefit primarily at the expense of the under-40s. The latter tend to be encumbered with large mortgages and only small savings.

From today, nimble-footed savers will be able to lock into interest rates of 13 to 14 per cent pre-tax by buying Government securities. If they believe that such high rates cannot be sustained, this would be their best strategy rather than waiting for the building societies or National Savings to respond with more attractive alternatives.

But both the building societies and the Department for National Savings are likely to announce any decision about moving rates upwards within the next two weeks. On February 13, a new issue of National Savings certificate is due to be issued offering a tax-free interest rate of 8.85 per cent. The rate, however, could be moved upwards in advance of the issue if the Department accepted that such an increase was necessary to attract, and retain, enough money to meet the Government's funding target for the fiscal year ending on March 31.

The experience in August and September, when the 28th issue of National Savings certificates drew nearly £1bn away from the building societies, highlighted the increasing sensitivity of savers to interest rate changes. Any change in the National Savings rates of interest would thus have an immediate knock-on effect on the building societies.

The volatility of interest rates, particularly over the last two years, has thrown up many difficulties for building society chiefs who have consistently misjudged the future trends of interest rates, despite making adjustments in their rates with increasing frequency.

The societies' administrative costs of informing their borrowers of interest rate changes and dealing with their queries are small in relation to assets, according to Mr Mark Boleat, deputy Secretary General of the Building Societies Association.

But the disruption and uncertainty created for the customers when planning their household budgets must increase the pressures on the societies to avoid such frequent changes, possibly by hedging liabilities on futures markets.

In contrast to individuals, companies are generally in a healthier position to absorb the higher interest costs. Mr Kenneth Inglis, of stockbrokers Phillips & Drew, estimates that the net borrowings of companies (after offsetting their cash reserves) fell from 18 to 13 per cent of total capital employed during 1983 and probably by another 3 percentage points in 1984. And, after allowing for foreign currency loans, possibly only 8 per cent of companies' total capital employed is sensitive to a rise in sterling interest rates.

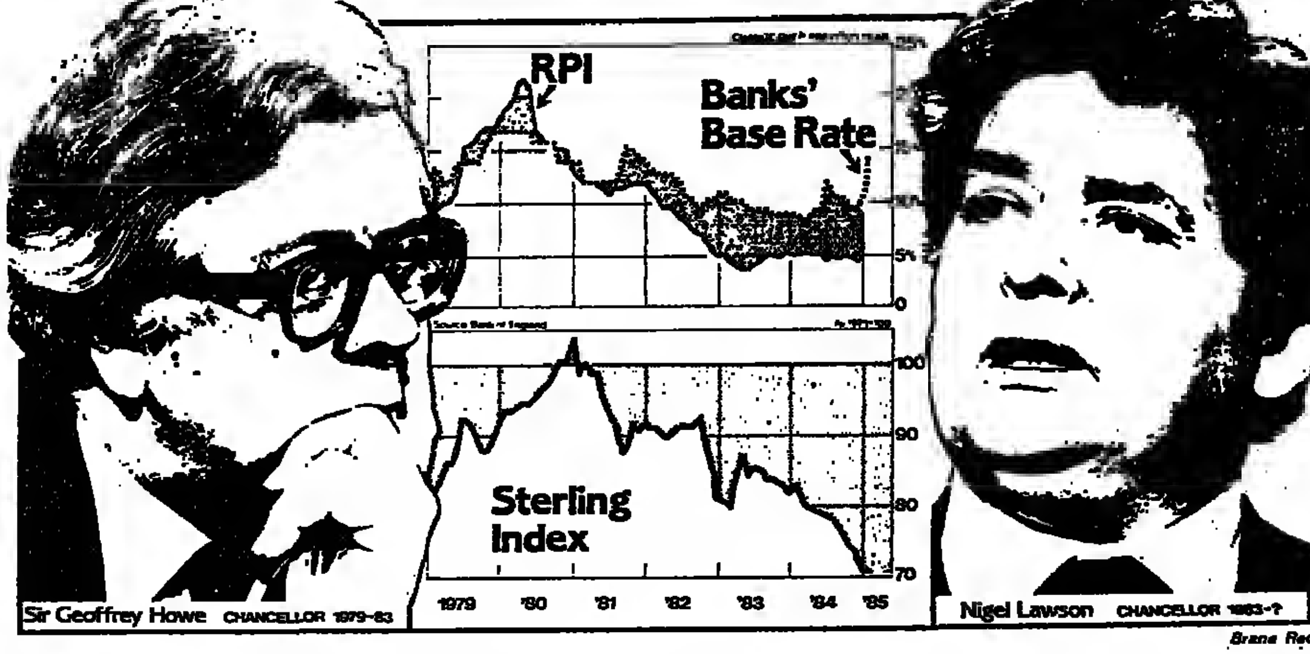
The Confederation of British Industry estimates that a one percentage point rise in interest rates reduces the pre-tax profits of UK companies by about £300m a year. This represents about 0.8 per cent of current total profits.

A rise in short-term interest rates also has an indirect impact on company profitability by reducing economic activity and gross domestic product. The Phillips & Drew model, based on the balance sheets of 180 listed UK companies, estimates that this indirect effect will cut company profitability by about 1 per cent for each percentage point rise in interest rates.

Thus the total effect of the 4½ percentage point rise in interest rates this month will be to reduce the pre-tax profits of UK listed companies by about 7 per cent.

The model assumes that companies' fixed rate borrowing, which is immune to market fluctuations, remains a tiny proportion of the total. British Telecom, however, is in the fortunate and unusual position of retaining a high proportion of fixed rate debt—£2.75bn worth.

Ironically, one other change, introduced by the Government, has made companies more sensitive to an upsurge in interest rates — the phased reduction in corporation tax rates from 52 to 35 per cent by next year. As interest charges may be offset against tax, the proportion of higher interest charges which the taxman has to pick up has been falling steadily.



Brana Redovic

A DESPERATE NEED TO RE-ESTABLISH MARKET CONFIDENCE

IT WAS not supposed to be like this. For four-and-a-half years, the Government's strategy has been clear. Inflation would be beaten, but as public spending and borrowing was tightly controlled. Interest rates would fall. This in turn would breathe new life into the economy.

Yesterday's second rise in base rates in two weeks—designed to reinforce the fight against inflation—is clearly a potential setback for employment and growth. Interest rates are two points higher than when Mrs Thatcher took office in 1979.

Once again pressure on sterling has forced a change of course. Once again the question is whether it is temporary or whether the Government is caught in a position from which it will not be able to escape, at least in the short term.

There is no simple answer to these questions, just as there is no simple, or single, reason for the latest sterling crisis. The confusion in Opec, the strength of the dollar on the back of a still growing U.S. budget deficit, the miners' strike—all have played a part. And last week's public spending White Paper also raised doubts about the Government's grip on public spending over the next three years.

The markets paused last week to see if the central banks of the top five industrialised nations would intervene in a significant way following the Washington Group of Five meeting. But when it seemed that their intervention had been only modest, pressure on the pound resumed.

The Thatcher Government has been here before. Interest rates were raised by 4½ percentage points to 15½ per cent in autumn 1981 to halt a run on the pound. Oil price rumours pushed rates up again in 1982. And after a period of relative stability sterling was again up against the wall in July 1984.

Then a 2¾ per cent rise was enough to quell speculation for a time. But the Government and the Bank of England accompanied their intervention by almost publicly wringing their hands at the folly of it all. They made no secret whatever of their desire to push rates down to more "sensible" levels (of 10 per cent or less) as soon as possible.

The Government was worried then, as it is now, that unemployment was continuing to rise. Inflation seemed reasonably under control, so it seemed sensible to push interest rates down and run as loose a monetary policy as the markets would allow.

But by Christmas, there were clear signs that the markets were uneasy. Oil price doubts resurfaced and there was clear evidence that the Government's borrowing target for this year (1984-85) would be overshot. The rising cost of the miners' strike, now officially put at £1.5bn up to Christmas, is now expected by the market to be over £2bn by the end of the financial year. And the strike worsened the trade balance by about more than £2bn last year.

However, even when these estimates of overspending became general knowledge, — the Public Spending Borrowing Requirement will be £2bn over the £7.3bn target this year—the Chancellor did all he could to resist a rise in interest rates. The Treasury continued to suggest that monetary policy was broadly on target despite the miners' strike.

The policy, says one senior official, was to sail as close to the wind as possible, with the inevitable risk that a shift in market sentiment would force a change of tack.

When it came two weeks ago, the change in policy was sudden and dramatic. The Government re-introduced the Minimum Lending Rate (discontinued in 1981) for a day to demonstrate its authority over the markets. Banks' base lending rates were pushed up to 12 per cent and a renewed effort was made to sell Government stock.

In essence the Government has for the time being shifted the focus of policy from the money supply (with the exchange rate merely taken into consideration) to a defence of the exchange rate, keeping one eye on domestic monetary targets. With sterling's trade weighted index now 15 per cent below its value last January, the Government is worried that any further fall would be inflationary.

But it would be rash to assume that the Government has fixed its eye on any target value for sterling in the longer term. The inflationary threat comes more from too fast a change in the pound's value than from any specific sustained level.

The Prime Minister seems to see the idea of pound-dollar parity as an emotive issue, so this may prove a sticking point for political reasons. But the Treasury would probably not be over-worried by a *slow* decline of the pound if this reflected only dollar strength or the weakness of oil prices. In either case the inflationary impact would be mitigated: in the case of dollar strength, there would be a general downward pressure on world commodity prices; if oil prices fell, there would be a direct benefit to UK inflation to offset any effect of sterling's weakness.

But in yesterday's market turmoil, such sage counsels were blowing in the wind. The Chancellor has a desperate need to re-establish market confidence in his policies. The foreign exchanges and the money markets were last night still signalling their doubts.

Max Wilkinson
Economics Correspondent

Men and Matters

Off-screen at TSW

Commercial television will be a little less colourful with the departure of Kevin Goldstein Jackson from the chief executive's desk at Television South West.

Which other ITV baron would wear an electronic bow tie and make it whizz round at strategic moments during an interview? Or dye his hair aubergine in honour of pop group Echo and the Bunnymen?

But it was not such harmless and amusing eccentricities—or even his impertinent offer to buy Channel 4 for £1—that has led the prime architect of TSW to decide to devote his time to other interests a little earlier than expected.

The real problem for Jackson—he adopted the name Goldstein to show support for the Israelis during the Five Day War—was his handling of industrial relations.

A memo was issued calling for economies at TSW including more flexible working and manning levels. With it came a warning that if agreement could not be reached, there would be up to 10 redundancies—an unheard-of concept in ITV.

The memo, generally believed to bear the chief executive's management hall-mark if not his signature, led to a disputes meeting at the Independent Television Companies' Association last week. It has now been withdrawn.

Jackson, unfortunately, could not attend the meeting. Soon after the memo was issued, he had to make a business trip to San Francisco and then on to Hong Kong — though he remained in daily touch with TSW's chairman, Sir Brian Bailey.

In a statement — agreed by lawyers — Jackson says he plans to spend more time now on his television consultancy, a book contract, and finishing a PhD in arts administration at the City University.

Bailey, who does not wear electronic bow ties, will be executive chairman for the time being, and will be seeking economies at TSW in less flamboyant style.

"These will bounce back even after repeated takeover bids"

Bunkered

One of Sir Rex Hunt's last ambitions before he leaves the Falklands is to see a start made on restoring the islands' nine-hole golf course, or even the construction of a new 18 holes.

A keen golfer, the civil commissioner is one of the 23 members of the Port Stanley Golf Club whose sport was rudely interrupted by the Argentine invasion.

As if the wind, weather and terrain were not hazards enought, the course was in turn shelled, mined and dug into during the hostilities. It is now, apparently, difficult to find a patch of fairway.

But at Hunt's request, golf architect Bryan Griffiths, of Epping, flew out at the weekend to assess the possibilities. With the Government already footing an enormous bill for the Islands, it is hoped that the cost will be met by commercial and industrial sponsors.

The Falklands will be the 38th country in which Griffiths has worked. His next assignment is in China.

Market move

Hong Kong's stock markets have been buzzing these last few days with reports of new equipment being installed at the securities commission, the body responsible for policing the local securities markets.

Sources inside the commission confirmed the reports, and claimed the investment would revolutionise the efficiency with which in future it will be able to monitor market operations.

Those who, in the past, have dabbled unnoticed in a little inside trading and other kinds of lucrative sharp practice are no doubt trying to gauge the implications of the change.

But what is the equipment that the commission is so enthusiastically welcoming? Believe it or not, the government has just allowed it to instal its first telex.

Shy bunch

Stop worrying about the Pound for a moment and concentrate instead upon spending a few of those you have left on a bunch of flowers for someone near and dear.

For it is revealed that the British are a bunch of meanies when it comes to the noble gesture of saying it with flowers.

The newly formed Flowers and Plants Association, set up by the trade to stimulate business, reckons that the British only spend £6 a year, on average, on flowers and pot plants compared with £29 by the Swiss, £28 by the Dutch, and £24 by the West Germans. Even the Irish who share the bottom of the league table with the British manage to spend £10 a year apiece on flowers and plants.

Indeed four out of every ten Britons did not buy any flowers at all last year.

There seems to be a confusion of attitudes about flowers among the British. Although two-thirds of women of all ages think flowers are the most romantic gift they could receive, according to a survey by Interflora, "many men, particularly younger men, are embarrassed to be seen holding a bunch of flowers."

Penny pinching

While the miners' strike splutters on, it is heartening to learn that good old-fashioned compromise is alive and kicking in other industrial disputes.

Teachers employed by Trafford Borough Council, Greater Manchester, have been staging selective strikes over the authority's decision to dock the salaries of 52 of their number. The errant teachers refused to cover for absent colleagues during last year's national pay campaign.

The action has been called off on the basis of a tentative agreement which saves face on both sides. The council will repay the money withheld from each teacher.

But one penny will be deducted from each repayment as the authority's ways of reminding its staff of the principle of the thing.

I suppose it is better than being made to stand in the corner.

Trading short

I see a column in a school magazine about old boys reports, "... who left us last year writes that his hopes of an army career were dashed when he was rejected as not tall enough."

"He is now working in London for a firm of stockbrokers."

Observer

Letters to the Editor

A fixed cross-Channel link

From Mr R. Bonwit

Sir,—After reading Andrew Taylor's comprehensive survey (January 23) of the state of play in the preliminary planning for a fixed cross-Channel link and the appended note on the political issues involved, one begins to wonder whether our Government is really interested in the success of such a venture. The Government's insistence on leaving the initiative entirely to the private sector may not have been inspired solely by the known preferences of the Conservative Party leadership. It begins to look as if this was a ploy to defeat French determination to see a rail tunnel built in the foreseeable future without apparently vetoing it.

For many years the Japanese have been quietly and patiently working away on a rail tunnel — now nearing completion — linking the main island with the island of Hokkaido underneath the often stormy waters of the Tsugaru Straits. The length of this Seikan tunnel is almost exactly that of the tunnel originally planned — and started — between Folkestone and Sangatte, near Calais.

The work was entrusted to a semi-state enterprise, the State Railway Construction Corporation, and the cost did not impinge on the budget of its future user. Work was planned in such a way as to accommodate both the narrow gauge passenger and freight trains of the state railways and the standard gauge Shinkansen bullet train network which should eventually reach the tunnel.

Problems besetting the final approaches to central Tokyo have been solved through a compromise with the neighbouring Saitame prefecture which, with Government assistance, will acquire a local rapid transit line to compensate it for loss of track space on the final extensions. The overriding consideration in favour of the tunnel was the saturation of the direct air links between Tokyo and the cities of southern Hokkaido.

We are less perceptive when we separate the "costing" of a Channel tunnel from the planning of additional airport and air path facilities in Greater London; city-to-city rail services over electrified lines through a Channel tunnel would cut demand for air services on the many short routes where real travelling time by rail would become competitive with flying.

It will be noted that the Japanese preferred a rail tunnel to a combined rail and road link across the straits even though traffic on both sides keeps to the left. A road link across the channel would feed dense streams of vehicles driven on the "wrong side of the road" to both sides. The immense cost of converting road traffic in these islands would have to be added to the cost of a road link.

Ralf Bonwit.
Sorby, Kiln Lane, Binfield Heath, Henley-on-Thames.

An inflexible monopoly

From the Managing Director and Register, Dover Harbour Board

Sir,—Andrew Taylor's article (January 23) about the various schemes for bridging over or boring under the Channel was admirably balanced but, in fact, only touched on some of the problems involved in the creation of any sort of fixed link. None of the creators of these plausible schemes and pretty models has ever suggested that his project will make the Channel crossing any better, relying instead on vague notions of general political and economic benefit to "justify" the case.

None of them has claimed, for example, that crossing the Channel will be significantly cheaper than the ferries, if at all. Time saving benefits are likely to be minimal as most of the delays and frustration experienced when crossing the Channel are caused by government procedures—such as collection of VAT on imports. In these circumstances, it is difficult to see how any of the schemes will improve cross-Channel travel.

Nor are the alleged employment benefits easy to discern. Any jobs created would be short term—during construction—with a significant number of jobs lost in the long term.

Either the above arguments are right, in which case any fixed link will be a financial disaster and a grave waste of resources or they are wrong in which case, the present flexible, diverse cross-Channel transport industry will be replaced by a monolithic, inflexible monopoly. There is no middle course. Given the huge capacity represented by a fixed link and the different capital structures and operating costs of the two modes, one and only one will be able to succeed. In everyone's interest, not just the present ferry and port operators, it should be the one more able to react to changing market situations.

J. F. Sloggett.
Harbour House, Dover, Kent.

Taxation of pension funds

From the Pensions Director, Prudential Assurance Co.

Sir,—I was very interested in Lex's views and arguments (January 21) with regard to taxation of pension funds. May I be permitted to add two points to this debate with regard to the retrospective effect of taxing pension fund investment proceeds.

Many of the retired population of this country receive a pension from one or more occupational pension schemes. These pensions arise from the proceeds of past contributions and the tax free investment income they have and will continue to generate. If that income were to be taxed an additional cost will fall on the employer. He may be unwilling or indeed unable to accept the additional liability. In which case the pensioner's income will be reduced.

Many occupational pension schemes accepted contracted-out liabilities on the basis of a National Insurance rebate. This was calculated on the assumption that pension fund proceeds would be free of tax. Unless the Government is willing to increase the contracting-out rebate retrospectively, to allow for future taxation of investment proceeds, the option to cease contracting-out will be financially very attractive to many employers.

A. F. Benke.
142, Holborn Bars, EC1.

Social and fiscal aberrations

From Mr R. Nottage.

Sir,—Withdrawal of pension scheme concessions would help to reduce the levels of taxation. Workers in pensionable jobs would then pay less to the Exchequer but might have to contribute more for their pensions. For many individuals the net effect, although possibly disadvantageous, would not necessarily be intolerable.

The larger the pension schemes becomes the more they narrow the tax base through the abatements they command and the higher must be the rates of tax required to secure a given level of revenue. These higher than otherwise necessary rates of tax are brutally inequitable to those who are not in pensionable employment — among them many lower-paid workers.

Thus, through employers' pension schemes, the state is promotong income redistribution from the poorer tothe better-off members of the nation. This is surely a most perverse feature of our social policy.

This unfortunate state of affairs has been aggravated by the prodigality of Governments over many years in subsidising pension schemes to the extent of enabling them to offer employers' pensions up to a maximum of two thirds of final salary in addition to the steadily improving state pension. Thus, a married man now retiring with a final salary of £10,000 a year can receive an employer's pension of £6,667 a year and the flat-rate pension of £2,979 a year, giving him income replacement of 96.5 per cent in nominal terms, and an appreciably higher percentage in real terms because he will be free of national insurance and pension scheme contributions and the cost of travel to work. By contrast, a man without an employer's pension but otherwise in identical circumstances will have a nominal income replacement of only 30 per cent.

The Chancellor of the Exchequer is no doubt fully seized of these social and fiscal aberrations. One can but hope that his efforts to eliminate them will receive an understanding response from his Cabinet colleagues and wide suport in Parliament.

Raymond Nottage.
36e, Arkwright Road, NW3.

Fifth terminal at Heathrow

From Mr H. Wine.

Sir,—The case for building a fifth terminal at Heathrow rests on projections of substantial increases in passenger traffic between now and the end of this century.

How are all these extra people going to get to Heathrow? With only three terminals operating, it is clear that existing roads are inadequate. If new roads are going to be built, who will pay for them? Will the Government look to private capital, as for the Channel Tunnel, and, if so, can we expect a massive rights issue from British Airways a year or after flotation?

H. M. Wine.
53 Christcurch Road SW14.

The multi-fibre arrangement

From Professor Z. A. Silberston

Sir,—Mr Bradley's desire (January 22) to protect the UK textile and clothing industries from further import competition is understandable, but I cannot accept his criticisms of my report on the multi-fibre arrangement.

I advocated a gradual phasing out of the MFA, on the grounds that this would benefit UK consumers and also have desirable macroeconomic effects for the British economy. At the same time, newly industrialised and developing countries would be freed from the present restraints on their exports of textiles and clothing. Their quota rents would be eliminated, but they receive only about one-third of the total of these at present, as compared with developed countries who receive nearly two-thirds (over 60 per cent by value of UK textile and clothing imports come from developed countries).

Mr Bradley suggests additional ways of eliminating quota rents. A new agreement might be negotiated under which importing rather than exporting countries would administer quotas. Alternatively, the MFA might be abolished and the output of the British textile and clothing industries susbidised.

A new agreemant under which importing rather than exporting countries would administer quotas would indeed act to transfer quota premia to importing countries, but it would continue to restrict exports from the poorer countries, and would subject them to fierce competition between themselves for a restricted market. It would be the worst of all possible worlds from their point of view, and would be bitterly opposed by them.

If the MFA were abolished, and the output of the British textile and clothing industries were subsidised, how large would the subsidy need to be? If the MFA were to go, a gain to the UK of £5m per annum might result from a better world allocation of resources. Mr Bradley argues that the cost of saving the 10,000 to 50,000 jobs that might be lost in this country would be this £5m per annum only, i.e. £100 to £500 per job per year. I estimate, however, that the phasing out of the MFA might reduce the revenue of the UK textile and clothing industries by £165m per annum. It is this figure which gives the magnitude (at present levels of trade) of the annual subsidy that would need to be paid to these industries. It would represent a transfer from consumers to producers in this country, and would work out at £3,300 to £16,500 per job saved per year.

Other aspects of the subject need to be considered. The macroeconomic calculations carried out for my report by Cambridge Econometrics suggest that if the MFA were abolished, net employment in the economy as a whole (after taking account of the decrease in textile and clothing employment) might rise by 37,000 by 1992, and 61,000 by 1997, and that GDP might rise by some 0.5 per cent per annum by 1997. The phasing out of the MFA would also encourage changes in the structure of industry in this country and move us nearer to a structure which reflects our present comparative cost situation.

I share Mr Bradley's concern for those in the UK textile and clothing industries, but I had to balance that concern with the interests of consumers and of the British economy generally. Mr Bradley has not tried to do this and has also (as I have not) ignored the claims of low-income exporting countries.

(Professor) Aubrey Silberston.
Imperial College, 53, Prince's Gate, SW7.

Full of management insight

From the Managing Director, Adscarch

Sir,—I read with interest Christopher Lorenz's report (January 25) on the sugestion that the Le Carre novels can give insights into effective management methods. As a consequence, I decided to test for myself the wider thesis that any work of fiction can be used as a metaphor for management.

I therefore entered my nearest bookshop and asked the assistant to select a book randomly from the shelves: she happened to choose Ms Enid Blyton's timeless volume "Hurrah for Little Noddy." This contains pieces such as "Noddy goes to Work" which are literally teeming with insight for top managers. From an extensive list, here are some examples:

Noddy cleans his shoes with a bit of paper because he hasn't a shoe brush: thus demonstrating to managers the value of resourcefulness in the absence of the appropriate raw materials, as well as a high regard for personal appearance.

At spring-cleaning time Noddy offers himself to householders as a chimney-sweep and points out how effective his service will be because he has plenty of spring in him: a clear instance of emphasising your unique selling proposition in a fiercely competitive market-place.

After cleaning the chimneys he proceeds to clear his customers' houses of rubbish which he then decides can be mended and used in his own home: an example not only of selling add-on services to existing customers, but also of recycling hitherto useless waste product on a profitable basis.

Ms Blyton's body of work clearly holds a vast array of instructive information for managers everywhere. Not only that, but she has published far more books than Mr Le Carre, they come with coloured pictures, and most importantly for many managers the words are very short and the type is extremely large.

Peter Jackson.
34 Richmond Hill, Richmond-upon-Thames, Surrey.

Declining demand for coal

From Mr A. Cox

Sir,—In your editorial (January 24) "The future for coal," you stated that given freedom to import, the Central Electricity Generating Board could possibly step up its purchases to 10m tonnes or more, and that this would not have a disastrous effect on the National Coal Board.

After the current strike has been settled and the depleted stocks rebuilt, the NCB will probably be faced with declining demand in virtually all its major markets.

Encouraging greater imports, while promoting competition, will probably lead to a further round of colliery closures (especially in sensitive areas such as the North-East) which are dependent on the CEGB.

What is now required is investment in new technology and infrastructure to ensure that more collieries became "economic"—not a wave of destructive imports which would further undermine and weaken the NCB.

Andrew W. Cox.
University of Newcastle upon Tyne,
Merz Court, Claremont Road, Newcastle upon Tyne.

Euro grants for improvements

From the Head, London Office, Commission of the European Communities

Sir, — Men and Matters (January 25) has got it quite wrong about the Euro grant to a demolished mill in Tameside. The mill was indeed included in the submission for a European regional development fund grant which the local authorities helped put together. This submission, however, was never intended to be more than an indication of needs. It is only since November — when a £9m grant for this area of textile closures was approved—that the Department of the Environment has started to approach local authorities for formal submissions of schemes such as conversion of derelict premises and improvement of run-down areas which can benefit from this allocation.

George Scott.
8, Storey's Gate, SW1.

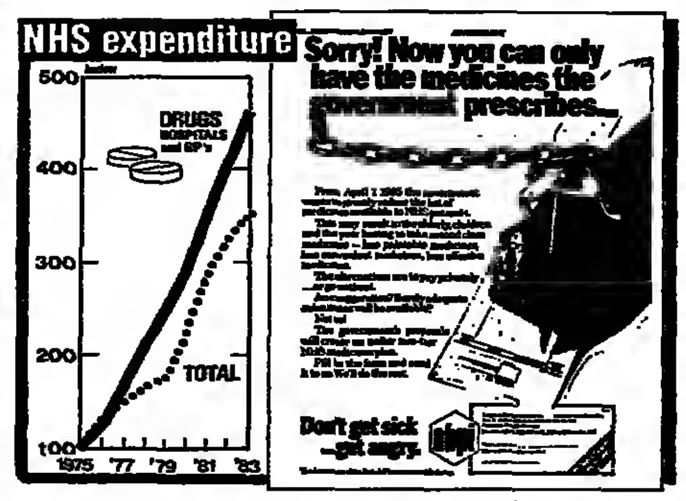
A step forward for democracy

From Mr R. Riding

Sir,—How apposite was the headline "One step forward for democracy" for Christopher Dunkley's article (January 23). Two of the three chairmen of political TV programmes featured in it were up together at the same Oxford college—the one which has provided more Prime Ministers than any other, 22 members of the Commons in the current Parliament (all on the Government side incidentally) and last but by no means least the Lord Chancellor, the televising of whose House was the basis of the article!

R. F. Riding.
4, Blandford Close, Moybury, Woking, Surrey.

UK health costs



Take only as directed . . .

By Carla Rapoport and Lisa Wood

"I'VE BEEN telling my UK colleagues for years, they are overspending and they are going to kill the goose that laid the golden egg." So said a top U.S. executive at one of the world's largest drug companies just over a year ago.

Today, the goose is dead. For the first time since the National Health Service was created in 1947, the Government attitude towards its largest supplier, the drug industry, has switched from co-operation to combat. Unfortunately for the Government, however, many NHS patients are standing in the crossfire.

At issue are the sharply escalating costs of maintaining a free medical service. In 1975, the NHS cost the Government £3.4bn; by 1983, the cost was over £12bn. Within that total, one of the fastest growing items was the cost of drugs dispensed by doctors (see chart).

Just over a year ago, the Government lopped £100m off its £1.4bn-a-year drug bill by both reducing the amount of profits drug companies could make on their sales to the NHS and the amount of money they could spend to market their products in the UK. The hysterics which followed that move pale into insignificance compared with the reaction to the Government's next step.

Last November, Mr Norman Fowler, Secretary of State for Social Services, suddenly announced that another £100m could be cut from the drugs bill by restricting the number of drugs available under the NHS for a variety of common ailments. Within days, the industry was joined by the most unlikely of bedfellows in its protests — including the British Medical Association, the Pharmaceutical Society, prominent members of the Labour Party, charities like Help the Aged, and at least one major union.

The backlash caught even the Government by surprise. "I knew the industry would be upset, but I didn't count on such a vehement response from the doctors," said Mr Kenneth Clarke, Health Minister, who at 44 is already seen as strong Cabinet material.

For the medical community, the restricted list—which will eliminate around 400 drugs from NHS prescriptions—is a hammer-blow to its clinical freedom to prescribe as it chooses. The industry meanwhile predicts a drop in investments in the UK from foreign-based companies, a reduction in research spending, the loss of hundreds of jobs and a demotion of Britain from the ranks of the leaders in the international pharmaceutical industry.

At the same time, both sides say that the group of patients which will be hardest hit by the new restrictions will be the poor and elderly, who are currently exempt from paying NHS prescription charges. When the new list comes into effect in April, those patients wishing restricted products for their colds or flu will have to buy the drugs themselves.

In fact, claims on both sides are exaggerated. The government's cut in drug companies' profitability in late 1983 had no visible effect on the industry's investments or employment. The restricted list will hit only a handful of companies quite hard—notably Wyeth International, Hoffmann-La Roche, Eli Lilly and Reckitt & Colman's drug division. But equally large companies like Merck, of the U.S., Glaxo, Beecham, and other large drug companies are not shuddering over the restricted list. These companies fear that the restricted list may be the thin edge of a long wedge, but this is something the Government has repeatedly denied.

As for the elderly and poor, the NHS will be dispensing similar products to those eliminated. "Assuming we get the list right, the patient will get something just as good from the doctor," says Mr Clarke. "I don't subscribe to this sudden concern for the poor from the drug industry," he says.

Criticism can be levelled at the Government, however, for unveiling the new list in a ham-fisted way, without any prior consultation with outside parties. For the industry's part, however, blame has to be apportioned for its ostrich-like stance on the likely arrival of these cuts.

"I find it a tragedy that such a sophisticated industry has to press the panic button over what has been on the cards for years," said Mr Hugh Elwell, a chairman of the Health Group at the Centre for Policy Studies, a conservative UK think-tank. "The Government has been talking for years about limiting drug prescribing, all the industry has been able to do is protest."

"These things could be sorted out in a reasonable way, with a reasonable debate," says Dr John Griffin, director of the Association of the British Pharmaceutical Industry. "But there is no debate with this Government. There is only polarisation."

The winds changed swiftly with the appointment three years ago of Messrs Clarke and Fowler, two men without extensive industry contacts who saw the escalation in expenditure on family medicine as out of control. The two men were also influenced by several recent studies on the excess and unnecessary numbers of similar drugs available in Western markets.

One such study was co-authored by Dr Griffin when he was working for the Government in 1981. In it, he stated: "Instead of limiting the numbers of drugs that are . . . quite similar to those available, many drug companies are copying . . . successfully theraputic principles with the result that an abundance of analagous drugs is offered."

"The Health Service can't buy unnecessary products," said Mr Clarke forcefully. However, he quietly accepts the case that the restricted list sprung on the medical and commercial community last November may need some alterations.

In fact, the mechanism of the new list has left most patients and doctors confused. Even Mr Clarke is sometimes tripped up. He recently said that doctors wrote prescriptions for Distalgesic, a best-selling painkiller, because they could not remember the chemical, or generic name for the product. In fact, there is no generic equivalent for Distalgesic.

The list is not a call for generic substitution, which would force doctors to prescribe cheaper, non-brand name products where available. Instead, the Government will issue a negative list, naming both prescription and over-the-counter products which cannot be prescribed by NHS doctors. There will be an attached "recommended" list of products to be substituted for those eliminated but some products will have no exact equivalents.

Mr Clarke is quite heated about the doctors' fears that this list is the beginning of wider restrictions on freedom in prescribing. Instead, he believes doctors themselves have been erring. "This is not restricting the freedom of the doctor. No one denies there is still a good deal of over-prescribing and careless prescribing in this country."

A recent issue of the Lancet supports this view, reporting that a two-week campaign to collect unused medicines in Cornwall gathered half a ton of products, worth more than £150,000, including enough material to kill more than 200,000 people.

"We need to reassure the drug industry that there is no conspiracy against them. We want them to invest here. We want to provide stability," he said. To this end, the next reduction in profitability, he implied, may be accompanied with some guarantee that profits would not be reduced further.

The crisis may force a new dialogue between the different parties, one which will put an end to the hostilities. Such a dialogue may be necessary. A recent survey of 2,000 doctors in West Germany shows that the country's new limited list of drugs has achieved only 60 per cent of the savings hoped for by the Government.

FINANCIAL TIMES

Tuesday January 29 1985

UK civil servant defends his Belgrano disclosure

By Raymond Hughes, Law Courts Correspondent, in London

MR CLIVE PONTING, a former senior adviser to Britain's Defence Secretary, admitted yesterday that he had passed two ministry documents about the sinking of the Argentine cruiser General Belgrano during the Falklands war to a Labour Party MP.

He pleaded not guilty, however, to a charge under Section 2 of Britain's 1911 Official Secrets Act.

His barrister told a jury at London's Old Bailey that the right of a civil servant to pass information to an MP, without being in breach of the Act, was at the centre of the trial. Mr Ponting admitted having passed documents to Mr Tam Dalyell, a Scottish Labour MP who has consistently demanded more information from the Conservative Government about the circumstances surrounding the sinking of the Belgrano.

Mr Ponting was charged that, on or about July 16 last year, having in his possession or control information obtained by him, or to which he had access, owing to his position as a person who held office under Her Majesty, he "communicated such information to a person other than a person to whom he was authorised to communicate it, or to whom it was, in the interest of the state, his duty to communicate it."

Mr Bruce Laughland, for Mr Ponting, told Mr Justice McCowan and the jury of eight men and four women: "The live issue is whether the Crown can prove that Mr Dalyell was not a person to whom (Mr Ponting) was authorised to communicate (the information), or a person to whom it was, in the interests of the state, his duty to do so."

Mr Roy Amlot, prosecuting, said that Mr Ponting had signed a declaration under the Official Secrets Act that he would not, without official sanction, disclose information to any unauthorised person.

He had not had the authority of Mr Michael Heseltine, Defence Secretary, and had known he would not get it, to pass the leaked documents to Mr Dalyell.

Mr Amlot emphasised that it was not suggested that the disclosure damaged Britain's national security. What the case involved was a breach of confidentiality, he said.

On an application by the prosecution, opposed by the defence, the judge agreed to sit *in camera* for part of yesterday's hearing so that the jury could see the full text of a series of documents referred to as "the Crown Jewels."

They were said to be documents collated by Mr Ponting dealing with the events leading up to the sinking of the Belgrano. They did not include the leaked documents.

Mr Amlot said it was necessary that the jury should see the complete documents, and not, as the defence urged, an expurgated version that could be dealt with in public.

Some of the most significant events leading up to the sinking depended upon material so sensitive that national security demanded it be not exposed in public, he said.

"We don't want to fight the Falklands war over again, but the only way you can judge what it was that Mr Ponting disclosed to Mr Dalyell, and why he disclosed it, is by comparing what he disclosed with the position as known to him which was embodied in the 'Crown Jewels'."

Among points that emerged from the "Crown Jewels" was that there had been no suggestion by Mr Ponting that there was anything sinister about the sinking of the Belgrano. The vessel had posed a real threat to the task force and had been attacked for military reasons, Mr Amlot said.

Objecting to a private session, Mr Laughland argued: "This is not a case about spying. It is about lying or misleading parliament, and to go into camera, with all the surrounding aura which that involved, is to give a wholly unjustified complexion to this case."

The hearing continues today.

Trial may spur reform, Page 10

London softens stance before coal-strike talks

BY JOHN LLOYD, INDUSTRIAL EDITOR, AND PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE BRITISH Government, the National Coal Board and the National Union of Mineworkers have all adopted uncharacteristically conciliatory or muted postures in advance of today's preliminary discussions between the board and the union.

Mr Peter Walker, the Energy Secretary, told the House of Commons that he was "in a hurry to see a sensible settlement," while Mr Arthur Scargill, the NUM president, said of today's talks that "we believe there is a basis for talking about a settlement to this dispute, acceptable to both sides."

The NCB claimed 915 "new faces" returning to the pits yesterday, which was less than half of last Monday's figure, but which were interpreted by the board as remarkably good at the start of a week where negotiations are scheduled. Normally, the presence or imminence of talks dries up the stream of new faces.

However, the board would not add to Sunday's statements by Mr Michael Eaton, its communications chief, which said it wanted to see an unambiguous agreement that it could close uneconomic pits.

It became clearer that the issue of the re-instatement of the 500-600 men dismissed for various offences during the strike would be one of the most contentious between the two sides. Branch officials and activists said yesterday that they would not agree to a deal before at least some of those sacked were re-employed.

A possible precedent has been set in the north east of England, where seven miners sacked for the theft of coal have been re-employed at Ellington pit after volunteering to abandon the strike. The NCB area was prevailed on to re-employ the men after an intercession by Mr John Cunningham, leader of the back-to-work miners at the pit.

The NCB stressed the men had been "re-employed" and not "re-instated," and that the issue of continuing unemployment would be reviewed on a case-by-case basis at the end of the strike.

Mr Scargill said that "there will be no selling down the river of my members." He said he would talk without preconditions, and said: "It is a pity that the NCB are not apparently doing the same thing."

Mr Walker adopted a deliberately conciliatory stance and said he was "in a hurry to see a sensible settlement." He made no reference to any written undertakings from the NUM about accepting the closure of uneconomic pits.

Officials said yesterday that there had been no softening in the Government's view that the agenda for any formal negotiations must cover the closure of such pits and the NCB's right to take the final decision.

However, a conscious decision has apparently been made that Mr Walker should act as a conciliator and healer.

Mr Walker underlined to MPs that the procedures for closing pits were better than had been enjoyed under any other government.

Compromise with honour, Page 11; Editorial comment, Page 14

EEC in new bid to dispel Greek concern on expansion

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission was yesterday told to draw up new plans for special spending schemes in the poorest Mediterranean regions of the EEC, in an effort to persuade Greece to drop its reservations over the planned membership of Spain and Portugal.

EEC foreign ministers ordered the new proposals after last month's Dublin Summit deadlock over the previous Commission plan for Ecu 6.6bn ($4.6bn) to be spent over six years. Most member states regard the plan as hopelessly unrealistic.

Officials in Brussels said that M Jacques Delors, the new President of the Commission and personally responsible for the Mediterranean programme, suggested yesterday grounds for a possible compromise. This would involve financing a substantial part of any new plans from low-interest loans, in addition to grant aid from existing EEC structural funds for agriculture and regional development.

However, the full Commission failed yesterday to reach any common position on what to recommend to the Council of Ministers, in spite of holding a special session to consider the issue. Now the ministers have told them to produce a new plan as soon as possible.

The so-called Integrated Mediterranean Programmes (IMPs) became a sticking point to the Spanish and Portuguese enlargement negotiations at the Dublin Summit.

Britain and West Germany, in particular, refused to agree on any programme approaching the figure of Ecu 6.6bn, while Mr Andreas Papandreou, the Greek Prime Minister, held out for the full amount originally put forward.

The compromise agreed then was that negotiations with Spain and Portugal on enlargement would go ahead, but with Greece withholding its approval for the final outcome pending an agreement on the IMPs. One idea in any new plan would be to concentrate more of the money available on Greece.

EEC report on customs regulations; Howe and Tindemans meet on Euromissiles, Page 2

UK and U.S. plan to combat Third World 'fake' car parts

BY JOHN GRIFFITHS IN LONDON

BRITISH and U.S. manufacturers of vehicle components and replacement parts have joined forces to combat a multi-million dollar counterfeiting industry in Third World countries.

Mr Peter Crockford, legal adviser to the UK's Society of Motor Manufacturers and Traders, said yesterday that leading manufacturers on both sides of the Atlantic were building up and exchanging extensive computerised dossiers on offending concerns – still based mainly in Taiwan, but with a growing number in South Korea and India.

The two groups have also set up an independent investigation team in Taiwan to compile evidence against counterfeiters.

The "fake parts" are claimed to cost North American producers about $3bn a year and their UK counterparts £100m in lost sales.

British and U.S. manufacturers fear that the Taiwan Government, after overtly tightening domestic legislation against counterfeiters following a U.S. threat last year to consider trade sanctions against all Taiwanese imports, has relapsed into a *laissez-faire* attitude.

The role being played by Indian concerns is claimed to be expanding and accounting for a growing share of the 6,000 European jobs that the UK manufacturers estimate have been lost due to counterfeiting.

Mr Crockford cited the seizure by trading standards officers near London of £825,000 worth of Indian-produced brake and other parts last year. They were packaged as having been produced by well known UK manufacturers and were intended for re-export to overseas markets at prices which would greatly undercut the UK makers' products.

"Informal approaches to the Indian Government have been made, and they are very concerned about this," Mr Crockford said. He expressed concern, however, that, while legal machinery exists to deal with the problem in India, a case could take up to eight years to come to court.

Legal action is pending against a South Korean concern which, UK manufacturers allege, has been repackaging fake parts in the UK for resale as British products to Iran.

Manufacturers also hope that their dossiers will lead to action being taken under the General Agreement on Tariffs and Trade (Gatt).

Meanwhile, European manufacturers seem likely to get help from the EEC Commission, which has proposed that a computer register of bona fide manufacturers be set up, and that all shipments of parts passing into or out of the EEC be subject to clearance.

Queensland bars NZ chocolate after ban on N-ships

By Dai Hayward in Wellington

NEW ZEALAND'S ban on the use of its ports by U.S. nuclear warships has led to a bizarre but not altogether funny trade war sparked by a retaliatory ban on New Zealand speciality chocolates which have been refused entry into the north eastern Australian state of Queensland.

"Joh Bjelke-Petersen has declared Queensland to be a chocolate-free zone," Mr David Lange, New Zealand's Prime Minister said last night.

Sir Joh, the Queensland Premier who last week brought into play a little-known regulation on the labelling of imported goods in order to impound the chocolates, said the move was designed to "highlight New Zealand's naive anti-nuclear policies."

Mr Lange responded by calling the move "silly," adding that "the Queensland Premier is given to these personal little gestures."

Mr Lange was also quick to point out Queensland's favourable trade balance, with exports last year to New Zealand worth NZ$122m ($58m) and imports of only NZ$59m. "That is exactly the sort of trade war the born loser in foreign policies would fight," he said. "It is two-to-one against him. That is not a bad battle for us to enter."

Behind Mr Lange's lighthearted comments, however, was a strong hint that his Government might be getting weary of what it sees as outside efforts to dictate internal policy and force it to change its anti-nuclear policy.

If Sir Joh were to extend his ban to other goods – as he suggests he might – it could cost Queensland a multi-million-dollar sugar export deal which the New Zealand Cabinet is discussing.

"It would be easy for New Zealand to buy its sugar from places other than Queensland, and we could make a lot of money by doing that," Mr Lange said. "Demand on the world market is low. Supplies are high."

On the other hand, officials privately hope that the wise-cracking nature of the affair may help break the tension generated by the ships issue with the Australian Government. New Zealanders feel the Australian press has become less than objective and often strident in its coverage of the nuclear ban.

The most recent example of this, officials say, is the description in Australian news reports of last week's letter to Mr Lange from Mr Bob Hawke, Australia's Prime Minister, as an "ultimatum."

It was no such thing, officials say. It was simply a straightforward request by Mr Hawke for an up-to-date summary of New Zealand attitudes on the future of the Anzus defence treaty that groups the two countries in an alliance with the U.S. The New Zealand Government still believes it can keep nuclear weapons out of its territory while continuing to participate in Anzus.

Meanwhile, while the nuclear threat occupies minds in Wellington, Canberra and Washington among other places, several thousand dollars' worth of New Zealand chocolates – made with Queensland sugar – remain locked in a Queensland warehouse.

THE LEX COLUMN

Mr Lawson's oil slick

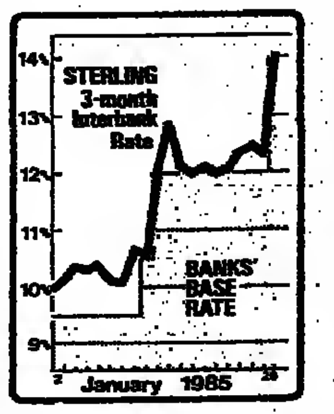
The rise in UK base rates may have been announced by Barclays Bank, but nobody yesterday was left in any doubt who was speaking: the markets could plainly see Mr Nigel Lawson's lips moving. After the reactivation of Minimum Lending Rate (MLR) a fortnight ago – for the last 2-point jump in short sterling rates – it might have been expected that the Government would prefer to give as direct a signal this time; but variety is perhaps the spice of monetary management.

If there is a reason for the difference in technique, it may be that yesterday's sterling episode was more about oil, and the brittleness displayed at the current Opec meeting, than about any presumed looseness of domestic money. With Wall Street speculators prepared to gamble on talk of $20 oil, the pressure on sterling could be viewed as external and quite likely short-lived.

Bearing in mind the way that a Norwegian move to spot-related pricing had diluted the effect of 12 per cent MLR two weeks back, the authorities must have decided yesterday that half measures on base rates would be meaningless. Mr Otaiba's abrupt departure from the conference table gave them some vindication, threatening as it did the future coherence of the oil cartel. By the same token, his return may have created a suspicion of monetary overkill.

As far as the equity market was concerned, the oil story compounded an already difficult predicament. Jobbers who received a drubbing last week were keen to move the market lower yesterday morning in any case; bad news brought in genuine sellers as well, creating in cash value the steepest fall on record. The influx of American buying during the afternoon will scarcely have been a comfort to the jobbers, since however fast they then moved their prices up, it still looked a day when they were twice caught trying to trade the wrong way.

Anyone who believes that the monetary regime was sufficiently tightened by the move to 12 per cent base rates will tend to wonder whether 14 per cent is not taking a blunt instrument to the currency speculators. For short-term traders, the penalty is ludicrously small, since the daily impact of the extra two points on interest costs is of the order of one two-hundredth of a cent, negligible in relation to the currency movement.



To the real economy, however, the penalties of high base rates are likely to be heavy and prolonged. The effect on inflation is immediate – through the probable rise in house mortgage rates – and quite possibly more severe than the lagged effect on prices of a still-depreciating pound. It was rational enough for the equity market to round up its usual list of interest-rate sensitive stocks, with specially rough treatment for sectors which depend on short-run investment decisions: office equipment, motors and building materials.

Since the uncertainty from Opec persisted through the day, it was probably not the right time to risk using reserves on a bear-squeeze in the currency markets. Yet the authorities' apparent distaste for this weapon seems inexplicable in the face of the Washington agreement; the Chancellor of the Exchequer's seeming determination to make monetary policy his only instrument needs quite some justifying.

As the Opec meeting could well continue dispensing shocks for another couple of days yet, it might be as well for the Treasury to have another card up its sleeve. The markets cannot live with a regime which threatens two points on base rates every time that an Arab oil minister leaves the room.

Norsk Data

Norsk Data is one of the few Scandinavian wonderstocks with a London following that has not recently come unstuck. In fact, it seems to have more of a problem spending money than making it. Yesterday, while announcing a 60 per cent rise in pre-tax profits for 1984 to NKr 230m ($25m), the company grumbled that it was suffering from upward pressure on margins. It had spent as much as it could on R & D but still margins scampered ahead to nearly 16 per cent, 1 per cent above the company's target.

While many other computer manufacturers have been feeling the squeeze, Data has remained remarkably resilient. It has wisely steered clear of the oversupplied personal computer market, preferring to carve itself niches in the military and office equipment sectors. And by focusing on selling complete systems with integrated software it has had no problem maintaining prices.

Financially, the company is very strong, with NKr 230m of net cash, which provides little excuse for more calls on shareholder's pockets, at least in 1985.

With an order book up 60 per cent in cash terms, Data should be on course to make about NKr 350m this year, putting the shares on a multiple of about 15 – not too demanding on the company's recent record, but then the same might have been said of Racal a few months ago.

Hanson/PD

Hanson Trust has displayed a nonchalance bordering on the supercilious in its dealings with the shareholders of Powell Duffryn, and it looked last night as if they may respond in kind. Hanson's mathematical approach to the acquisition of industrial assets is very much more effective when its arguments about share price and earnings performance are upheld by the market. But yesterday, despite a one-for-two scrip issue, Hanson's share price was falling along with everything else.

PD, by contrast, has mounted a spirited defence and has backed it with a forecast dividend which was reflected last night in a yield of just over 7 per cent. In the present market climate, income is as good a defence as any, and there seems no good reason why shareholders should abandon it.

With PD's share price trailing some way below the value of the offer, Hanson could still buy in the market to top up acceptances, and, for those inclined to accept the bid, a cash sale looks the safest way out. But there is little to be lost by staying with PD. Faced with a take-it-or-leave-it offer, shareholders should leave it.

London shares fall sharply

Continued from Page 1

money market rates during the morning weakened prices further as the market began to expect a base rate rise to above 13 per cent. But even so, the move to 14 per cent took many participants by surprise.

By the close, gilt prices had recovered but were still more than two points down on the day, with most pressure remaining on shorter-dated stocks.

Stockbrokers said the steepness of yesterday's fall was partly because of marking down by jobbers who had been caught short of stock by the market's recent advances.

British interest rates increased again in bid to protect sterling

Continued from Page 1

a serious constraint on Mr Lawson's ability to offer tax cuts in the budget.

At broker Phillips & Drew, Mr Stephen Lewis said that it remained uncertain whether the rise in base rates would in itself be enough to re-establish confidence.

If it did not, then a package of tax increases rather than tax cuts might be needed in the budget to demonstrate the Government's determination to hold down inflation, he said.

Mr David Morrison of broker Simon & Coates said that sterling might still face a shaky period on foreign exchange markets unless Opec secured a credible agreement to support oil prices.

The significant tightening of Britain's monetary policy implied by the rise in interest rates meant that, as long as oil prices did not plummet, the pound should stabilise.

Some analysts were suggesting that rates might go even higher, but others said that if 14 per cent base rates did not halt the pound's slide it would be futile to raise them further.

The Confederation of British Industry said: "It is urgent that rates return to normal as soon as possible." The Association of British Chambers of Commerce said that the economic recovery might be throttled if the present level was maintained.

As well as adding directly to industry's costs through existing borrowings, the present level of rates might dampen the present investment boom.

Higher mortgage charges would depress consumer spending while pushing up the retail price index.

Max Wilkinson, Economics Correspondent, writes: Mr Lawson made clear yesterday that he had authorised the latest rise in interest rates as part of an attempt to restore market confidence in his strategy.

He told the House of Commons Treasury and Civil Service Select Committee that it was for that reason that he would have to take today's events into consideration when making his budget judgment.

That appeared as a hint that he might have to reduce the scope for tax cuts if the markets remained uneasy. He told the committee that there still might be room for tax cuts, but that would depend on keeping "a very firm control over public spending and also ... on market considerations at the time."

He also gave a hint that the Treasury would be fighting a renewed battle with spending departments when he said that he and the Chief Secretary (Mr Peter Rees) were currently "looking for savings" in public expenditure. There was no indication yesterday, however, that that was intended to mean that new cuts were in prospect.

Mr Lawson said that the renewed weakness of the pound which prompted yesterday's action reflected anxieties which were "greatly overdone," with exaggerated emphasis on the potential oil price developments.

He said: "The fundamental problem remains the excessive strength of the dollar worldwide."

Mr Lawson repeatedly told the committee that the twin aims of the Government were the defeat of inflation and the promotion of growth and employment. It had been successful in reducing inflation and in laying conditions for Britain's longest post-war recovery.

The main message of yesterday's action, however, was "that this Government, while anxious to see unemployment come down, is most emphatically not prepared to take any risks with inflation."

Later, Mr Lawson denied that there was a floor below which the pound would not be allowed to fall, but he said that those who believed the Government was not interested in the exchange rate were under a misapprehension.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	12	54	Dubrovnik	C	12	54	Malaga	S	16	61	Salzburg	S	1	34
Akrotiri	S	20	68	Faro	S	14	57	Malta	S	15	59	Seoul	S	-8	18
Algiers	F	18	64	Florence	F	8	46	Manila	S	31	88	Singapore	F	30	86
Amsterdam	S	1	34	Frankfurt	S	0	32	Miami	C	20	68	Stockholm	C	-6	21
Athens	C	16	61	Funchal	S	16	61	Milan	C	-1	30	Strasbourg	C	1	34
Bahrain	S	18	66	Geneva	C	1	34	Moscow	Sn	-4	25	Sydney	C	22	72
Bangkok	S	33	91	Gibraltar	S	15	59	Munich	S	-4	25	Taipei	C	16	61
Barcelona	F	14	57	Guernsey	R	8	46	Nairobi	C	21	70	Tangier	S	14	57
Beirut	S	20	68	Helsinki	Sn	-13	9	Naples	S	13	55	Tehran	—	—	—
Belgrade	F	2	36	H. Kong	F	18	64	New Delhi	S	18	64	Tel Aviv	S	21	70
Berlin	C	-1	30	Innsbruck	F	2	36	New York	C	0	32	Tenerife	—	—	—
Biarritz	C	12	54	Inverness	C	3	37	Nice	F	10	50	Tokyo	S	12	54
Blackpool	C	6	43	Istanbul	F	14	57	Oporto	C	13	55	Toronto	Sn	-5	23
Bordeaux	C	10	50	Jersey	C	9	48	Oslo	C	-9	16	Tunis	F	14	57
Brussels	F	2	36	Jo'burg	S	27	81	Paris	R	5	41	Valencia	F	16	61
Budapest	F	2	30	Las Palmas	D	17	63	Prague	S	-2	30	Venice	F	5	41
B. Aires	C	25	77	Lima	S	25	77	Reykjavik	Sn	-4	25	Vienna	S	-1	30
Cairo	S	21	70	Lisbon	C	14	57	Rio de J'o	R	26	79	Warsaw	S	-2	28
Cape Town	S	34	93	Locarno	C	1	34	Rome	S	13	55	Zurich	C	0	32
Caracas	C	26	79	London	S	9	48								
Casablanca	S	15	59	Los Angeles	R	19	66								
Copenhagen	C	-5	23	Luxembourg	F	-1	30								
Corfu	C	13	55	Madrid	S	8	46								
Dublin	S	8	46	Majorca	F	15	59								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Tuesday January 29 1985

Pru-Bache pays $3m to British claimants

By George Graham in London

PRUDENTIAL-Bache has paid $3m to a group of British investors in an out-of-court settlement of their claim for damages arising from a financial futures investment strategy promoted by the U.S. securities company in London.

Prudential-Bache said the case had been settled on e compromise basis to avoid the expense and distraction of pursuing it further.

The 87 British investors had sued the U.S. company for the return of their collective loss of $5.5m, plus punitive damages of $200m. Their lawyer, Mr Edward Swan, takes 25 per cent of the settlement as his fee, but would have received nothing if the suit had resulted in no payment.

The investors had in 1981 and 1982 put money into off-setting futures contracts on U.S. Treasury bonds and Government National Mortgage Association bonds (Ginnie Maes). They expected profits of as much as 50 per cent a year, but with no risk of loss, so long as the price relationship between the two contracts remained within the same spread as it had in the past.

In October 1982, the spread widened rapidly after a sharp drop in interest rates, and investors were left with substantial losses.

The investors have agreed to release all further claims arising from the case, and Pru-Bache said it knew of no other claimants that might appear. It is believed, however, that as many as 200 investors may have been involved in the futures spread strategy in 1982.

Steady growth for Black & Decker

By Our New York Staff

BLACK & DECKER, the U.S. power tools and household appliances group, has continued its recent steady earnings growth by lifting first-quarter profits by 9 per cent from $26.7m or 56 cents a share to a record $29m or 57 cents on increased shares outstanding.

Sales rose 40 per cent from $358.1m to $503m, mainly reflecting the acquisition in April of the housewares division of General Electric of the U.S.

Comparable unit sales grew 10 per cent compared with the year-ago period. Mr Laurence Farley, president and chief executive, said the U.S. power tools business continued to produce excellent operating results, while household products, including the operations bought from GE, performed very well.

Results in certain European markets that had been sluggish were recovering, and the UK continued to be a strong performer.

However, U.S. retailers' profits appeared to be under pressure, and the trade was reluctant to restock, said Mr Farley. As a consequence, orders at the beginning of the second quarter were less than expected, and second-quarter earnings may be "somewhat" below previous year levels.

But the low levels of stocks in distribution channels suggested that order rates would soon return to normal, he added, and the company was confident of another good year. In the fiscal year ended September 30, Black & Decker posted net earnings of $95.4m or $1.95 a share.

Consortium bids for Searle unit

By Our Financial Staff

G. D. SEARLE, the U.S. pharmaceutical and chemicals group, has received a preliminary proposal to buy its Nutrasweet business. The offer has been made by a consortium that includes two natural gas companies, Pacific Gas Transmission of San Francisco and Alberta Natural Gas of Calgary. The two groups, together with their jointly owned subsidiary, Angus Chemical, have revealed no details of their proposal.

Nutrasweet, which accounted for 46 per cent of Searle's 1984 sales of $1.25bn is a brand name for aspartame, a low-calorie artificial sweetener widely used in soft drinks in the U.S. The product accounts for a large proportion of Searle's profits, which last year rose by $10m to $161m.

Earlier this month Pfizer, the drug manufacturer, confirmed that it was interested in buying Nutrasweet. No asking price has yet been divulged.

Nutrasweet has come on to the market as a result of the Searle family's intention, announced last September, to sell its 34 per cent holding in the company.

Union Carbide takes $18m Bhopal charge

BY PAUL TAYLOR IN NEW YORK

UNION Carbide, the U.S. chemicals group at the centre of the controversy over the Bhopal toxic gas tragedy, took an $18m, or 25 cents e share, charge in the fourth quarter related to the disaster, which killed an estimated 2,500 people.

Tha Danbury, Connecticut based group said the extraordinary charge covered "operating, distribution and administrative costs incurred and anticipated at Bhopal, India."

Union Carbide added that "in counsel's opinion, no charge or accrual is required for any amounts that may become payable for liabilities arising from the accident."

The group said fourth-quarter net income, before the extraordinary charge, was $31m, or 44 cents a share, compared with operating net income of $28.3m, or 40 cents a share, a year earlier.

In the latest quarter, the special charge reduced net income to $13m, or 19 cents a share, while in the corresponding period e year ago a fourth-quarter charge of $139m resulted in a final net loss of $111m, or $1.58 a share.

Sales in the fourth quarter increased marginally to $2.38bn from $2.35bn a year earlier.

Union Carbide said the latest fourth-quarter earnings reflected weak results in the petrochemicals and metal and carbon products divisions, together with two other special charges totalling 48 cents e share related to the writedown of an investment in a Canadian company and the temporary suspension of operations at a Puerto Rican petrochemicals facility. These charges were partially offset by a 22 cents a share gain from the liquidation of low-value inventories.

For the full year, Union Carbide reported operating net earnings of $341m, or $4.84, compared with $218m, or $3.11, in 1983.

After the Bhopal charge, 1984 net income totalled $323m, or $4.59 a share, compared with net earnings of $79m, or $1.13 after the charge related to the closure of production facilities. Full-year sales increased by 6 per cent to $9.5bn from $9bn.

Flat fourth quarter fails to depress U.S. chemicals groups

BY ANDREW BAXTER IN NEW YORK

W. R. GRACE and Celanese, the U.S. chemical groups, reported higher earnings for 1984 despite flat or disappointing fourth quarters.

Grace, which also has interests in natural resources, retailing and restaurants, said fourth-quarter profits rose 2 per cent from $57.9m or $1.19 a share to $59.1m or $1.22.

For the year, earnings were up by 22 per cent from $159.7m or $3.28 to $195.6m or $4.02.

Natural resources and industrial chemicals businesses improved in the final quarter, but operating profits from agricultural chemicals declined "substantially" as phosphate prices softened and shipments fell because of poor weather conditions in the Midwest and central U.S. In addition, margins were lower in certain consumer businesses.

Despite the late setback in agricultural chemicals, this sector lifted full-year operating income by 31 per cent to $29.4m, mainly because of improved prices for nitrogen products.

Grace's core business, special chemicals, recorded a 3 per cent rise in 1984 net operating profits to $179.3m.

Strong performances in graphic arts and packaging units were offset by intense competition in the U.S. fluid-cracking catalyst business and the adverse effect of the strong dollar on European chemical operations.

Sales rose from $6.2bn to $6.7bn in the year, and from $1.75bn to $1.83bn in the final quarter.

Celanese, which produces chemicals, fibres and special products, suffered a fall in fourth-quarter oet income from $52m or $3.25 a share to $32m or $2.31. The latest period includes a $1m charge, while the 1983 quarter takes in a $8m foreign exchange credit.

For the year, net profits surged 58 per cent from $112m or $6.89 per share to a record $161m or $10.87.

Sales edged up from $3.26bn to $3.33bn in the year, but fell from $850m to $825m in the fourth quarter.

Profits in the fibres business fell by nearly balf in the latest quarter, compared with the 1983 period, reflecting a surge in textile imports and slower growth in the U.S. economy. There was also a sharp fall in profits from the Brazil/Mexico division.

Mr John Macomber, chairman, president and chief executive, said that for the year income improved in all product groups. Celanese's shares fell $1⅛ to $88¼ in early trading yesterday.

James River warns of setback

By William Hall in New York

JAMES RIVER, the fast-growing U.S. paper company, gave a warning yesterday that its third-quarter earnings would be "significantly lower," blaming a strong dollar and a precipitous fall in the prices of white printing paper and pulp prices for the setback.

The announcement led to a sharp fall in the group's share price and by midday it was trading around $28½, down $3⅜. The shares of Mead Corporation, which yesterday reported 1984 net income of $139.3m against $42.6m, also fell sharply yesterday. In early trading they were $1⅛ down at $37 as Wall Steet began to revise its opinions about the scale of the setback in the latest earnings of the U.S. paper companies.

James River said yesterday that earnings for its third quarter, which ended yesterday, were expected to be significantly lower than the fully diluted earnings per share of 60 cents reported in the same period last year. In the first six months of its current financial year James River boosted its net income by 16 per cent and earnings per share rose by 5.5 per cent to $1.51 for the six months.

The group's sanitary and food packaging products sales remained satisfactory during the latest period.

Joseph Sanchez

Lansing, Michigan – Mr Joseph Sanchez, president of General Motors' newly created Saturn subsidiary, died last Saturday after a heart attack.

Mr Sanchez, 54, who had been regarded as an executive of increasing prominence within GM, had been named to head Saturn on January 7.

He was previously general manager of GM's Oldsmobile division.

Reuter

AT&T misses forecast despite late recovery

BY OUR NEW YORK STAFF

AMERICAN Telephone and Telegraph (AT&T), the U.S. telecommunications group, yesterday reported an improvement in fourth-quarter earnings over the disappointing third quarter.

Despite the upturn, full-year net earnings totalled $1.38bn or $1.25 a share, barely enough to cover AT&T's $1.20 a sbare full-year dividend and substantially below the company's $2.1bn pre-divestiture earnings estimate.

AT&T said fourth-quarter net earnings increased to $379m or 34 cents, 20 per cent higher than the $319m or 28 cents reported in the third quarter.

Revenues for the latest three months, after deducting $5.34bn in access payments made to local telephone companies to connect AT&T's long-distance customers' calls, increased by 5 per cent to $8.41bn from $8.01bn in the third quarter.

For the full year the group reported revenues, net of $20.63bn in access charges, of $33.19bn.

As a result of the Bell system break-up effective at the start of last year, the figures of a year earlier are not comparable. Ahead of divesiture, AT&T estimated full-year net income of $2.1bn or $2.02. However regulatory decisions, in particular, failed to match up to AT&T's expectations, leading to a downward revision in the group's own earnings forecasts and those of Wall Street.

Mr Charles Brown, AT&T's chairman, said: "We expected to do a lot better. Some factors bearing on our financial performance are attributable to problems created by divestiture, but not all of them. Some reflect gains made by our competitors in markets where we had previously faced little competition. Some were the results of regulatory rulings. Some were of our own making."

Mr Brown added that 1984 "established a basis for the successful transformation of the company." He said: "We intend to do better in 1985 and bettter still in the years ahead. In the meantime AT&T remains a financially strong company with nearly $40bn in assets and excellent prospects in rapidly growing markets."

E. F. Hutton boosted by Wall St upturn

BY ANDREW BAXTER IN NEW YORK

E. F. HUTTON, the second biggest U.S. brokerage company, which has taken advantage of the upturn in activity on Wall Street, recorded a sharp rise in fourth-quarter profits.

Net earnings rose from $8.5m, or 33 cents a share in the 1983 period, to $24.3m or 94 cents. Profits in the 1983 quarter would have been $17.8m without the provision of a reserve relating to Hutton's sale of annuities of Baldwin-United, the financial services group now operating under Chapter 11 of the U.S. bankruptcy code.

For the year, net profits are down from 1983's record $110.6m or $4.42 to $52.7m or $2.05, reflecting depressed market conditions in the first half.

The 1984 results include a further $14m reserve for Baldwin-United, offset by a $14m retroactive tax credit.

Fourth-quarter revenues rose from $571m to a record $895m, reflecting a $64m increase in gross interest income and a $201m rise in insurance revenues created by new E. F. Hutton annuity products. For the year, revenues jumped from $2.2bn to $2.8bn.

While commission and trading revenues have recovered from the low levels of the second quarter, commission revenues for last year as a whole were down 14 per cent to $543m. Investment banking reveoues fell 20 per cent to $254m.

Mr Robert Fomon, chairman and chief executive, said cost reductions implemented early last year had been highly effective. In early trading yesterday, Hutton's shares were up $¾ to $35¼, close to the 12-month high of $36⅝.

BankAmerica probes losses

By Our New York Staff

BANKAMERICA Corporation, the second biggest U.S. banking group, which bas been struggling to reverse a four-year earnings decline, has suspeoded several employees and launched an investigation into $37m losses incurred in certain bank operations.

The San Francisco-based group, which earned $73m in its final quarter, has refused to disclose the nature and location of the losses, but it confirmed yesterday thet several employees had been suspended on full pay pending the outcome of the investigation.

BankAmerica said it was reviewing the circumstances that led to the loss to determine whether any bank employees had acted improperly.

The bank said thet "very few customers" had been affected by the loss and that it had had discussions with all the customers involved.

Nabisco hit by strong dollar

BY OUR NEW YORK STAFF

NABISCO BRANDS, the U.S. international packaged food group, increased its fourth-quarter net income by 6.2 per cent to $107.2m, but that was not sufficient to offset a 4.2 per cent drop in full-year net income to $308.9m.

The company's stock repurchase programme has reduced the average numbers of outstanding shares by 7 per cent over the year and that enabled the company to report a 3.2 per cent rise in earnings per share to $5.02 in 1984. Sales for the year rose 4 per cent to $6.3bn.

The company says it experienced strong volume gains for U.S. biscuit products, but that was partially offset by the continuing adverse impact of the U.S. dollar on Canadian and international sales. A quarter of the group's sales come from international operations and Canada accounts for another 11.5 per cent.

The group's international operating income in 1984 fell by 7.7 per cent to $140.5m and its Canadian operating income was down 9.5 per cent at $60.7m.

In the U.S., biscuit sales rose 16 per cent to $1.8bn largely because of the launch of two new products. However, substantial increases in marketing costs led to a 15.7 per cent drop in the biscuit segment's operating income to $176.5m. Confectionery and snack products income rose 5.6 per cent to $133.6m and grocery product earnings rose 1.3 per cent to $140.4m.

The 1984 results include $15m of non-recurring after-tax gains but those have been more than offset by a $29m after-tax provision oo the realignment of various North American operations.

● *Consolidated Foods, the Chicago*-based processed foods and beverages producer, bas boosted half-year profits by 12 per cent, from $87.6m to a record $98.1m, or from $1.50 to $1.70 a share.

Second-quarter earnings advanced from $47.7m to $54.2m or from 81 cents to 94 cents a share.

Half-year sales totalled $4.04bn against $3.47bn with the latest period contributing $2.08bn against $1.76bn.

The group expects full-year earnings to exceed last year's record $188m or $3.25 a share.

Corning Glass signs Spanish deal

BY DAVID WHITE IN MADRID

CORNING Glass Works of the U.S. has signed a preliminary agreement to set up a fibre optics manufacturing base in Spain.

A spokesman for Compania Telefonica Nacional de Espana (CTNE), the semi-state telecommunications authority, which would take a minority shareholding in the venture, said the plant would involve an investment of about $20m.

The initial capacity for production of optical fibres foreseen in the agreement is 60,000 km a year, with planned turnover set at Pta 4bn ($23m) a year.

The plant is expected to start operating by early 1987.

The agreement follows closely on e $200m joint project with American Telephone & Telegraph, also with Telefonica as a minority partner, to design and make microchips in Spain.

The negotiations with Corning Glass reflect Spanish concern to ensure a diversity of technology sources in ambitious government plans for the electronics and telecommunications sectors.

Telefonica's current four-year plan, ending in 1988, foresees the installation of 30,000 km of optical fibres with a view to the development of cable television and other services.

EBC plans international equity dealing and underwriting unit

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

AN INTERNATIONAL equities dealing and underwriting operation is to be launched in April by European Banking Company (EBC), the London consortium bank owned by seven European banks.

EBC, which is not a member of the London Stock Exchange, will make markets off the exchange floor. It will also deal, however, in securities which are listed simultaneously on several European exchanges, enabling investors to exploit any price differences that may open up.

It will be run by Mr John Gerth, e manager of the bank, formerly with stockbroker Savory Milln; Mr Adrian Lewis, e manager; and Mr John Sullivan, an assistant director who was previously with Akroyd & Smithers, the jobbing firm, and a member of LIFFE.

EBC will initially make markets in 25 European chemical and pharmaceutical stocks listed in the UK, the Netherlands, Belgium and West Germany. Because it is not a member of the London exchange, EBC will be able to charge what it likes, and its bid and offered prices for UK securities will include commissions. Trading in foreign securities is already on a negotiated commission basis in London.

The list of companies to be traded will not be released until closer to the launch but they are all stocks of international companies that are widely traded on European markets.

The bank expects to be dealing mainly with institutional investors and will offer researcb services as well. Prices, which will be quoted on the Reuter screen, will probably be mostly in dollars, but EBC will be prepared to settle in whatever currency the client specifies.

EBC also hopes to manage the international underwriting of equity securities, a market which has recently been opened np by the large Reuter and British Telecom issues.

EBC's move follows the establisbment by Robert Fleming, the merchant bank, of an equity market-making operation last year, a move which caused some controversy in the London exchange which requires securities dealings to be conducted through its members.

EBC has not had any reaction from the exchange to its proposal, according to Mr Gerth. The bank is already a member of the Luxembourg Stock Exchange and would want to join the London exchange when that becomes possible.

Discussions are being beld with the Bank of England about the structure and capitalisation of the venture. Mr Gerth said it will be "substantially capitalised" and subject to strict controls.

EBC is owned by Midland Bank, Amsterdam-Rotterdam Bank, Banca Commerciale Italiana, Creditanstalt-Bankverein, Deutsche Bank, Société Générale de Banque (Belgium) and Société Générale (France).

World stock markets, Section III

INTERNATIONAL COMPANIES and FINANCE

Norsk Data profits and sales show steep rise

By Our Financial Staff

NORSK DATA, the Norwegian computer group, has reported a steep rise in profits for 1984 following an increase of more than half in operating revenues.

Profits before tax moved up to NKr 230m ($25m) from NKr 144m, operating revenues were NKr 474m higher at NKr 1.36bn, and operating profits rose to NKr 215m against NKr 128m.

Norsk Data has a stock market listing in London as well as in Oslo and Stockholm. As part of the drive for expansion and new capital markets, it plans to take a New York listing early this year.

Earnings per share were NKr 18.70, an increase of 35 per cent and pre-tax profit margins widened to 16.9 per cent from 16.2 per cent.

Hongkong Land proceeds with $96m tower project

BY DAVID DODWELL IN HONG KONG

HONGKONG LAND, the territory's largest but most deeply indebted property company, is *to go ahead with the HK$750m* (US$96m) third tower of its prestigious Exchange Square development in Hong Kong's Central Business district.

The decision comes on the heels of the whirlwind sale of Land's 33.8 per cent stake in Hongkong Electric, the local utility company, for HK$2.9bn. The disposal relaxed the tourniquet that the company has been forced to apply on developments since Hong Kong's property market collapsed two years ago, leaving it with near-fatal debts. Before the disposal, total debt amounted to about HK$14.7bn.

The company is making a significant gesture of faith in the future recovery of Hong Kong's property market by pressing ahead with the third tower at a time when the supply of prime commercial office space greatly outweighs demand. The *first two towers* of Exchange Square, which have 1.2m sq ft of rentable space, remain virtually unlet, though they will be ready for occupation in three months.

The third tower, 32 floors high with a net floor area of 322,000 sq ft, will be joined to the first two towers by a 32,000 sq ft shopping complex, with car parking and a public plaza. Work on foundations will begin on March 1, and the building is due to be ready for occupation in the middle of 1988.

A Land executive said yesterday the decision to go ahead had been "positively influenced" by the sale of the company's stake in Hongkong Electric. *The cash* deal with Hutchison Whampoa, the trading group controlled by Mr Li Kashing, was the largest corporate deal ever concluded in Hong Kong.

In the past two years Land has raised HK$6bn through the disposal of "non-strategic assets." It could raise the better part of a further HK$1bn in the coming months if it succeeeds in disposing of the *Excelsior Hotel.*

Until last week's disposal was concluded, the company expected debts to peak next year at about HK$16bn. It now confidently predicts the peak will be no more than HK$14.7bn. Group equity *is* larger than total indebtedness for the first time in two years.

Mr David Davies, Land's managing director, said yesterday: "The firefighting is over. We can now go forward." He *predicted that* cash flow would be sufficient to support future capital spending needs.

Philips in Polygram deal with Siemens

By Laura Raun in Amsterdam

PHILIPS IS buying four-fifths of Siemens's stake in Polygram Records, the music company owned jointly by Philips nad Siemens, in an effort to bolster the Dutch electronic company's search for a Polygram partner.

Siemens said a year ago, when ill-fated merger talks between Polygram and Warner Communications began, that it wanted to reduce its activities in recorded music.

The West German company will retain a 10 per cent interest in Polygram while Philips' stake will rise to 90 per cent. Siemens, however, will take a direct 10 per cent holding in Deutsche Grammophon, the *successful* classical music label owned by Polygram.

Philips declined to disclose how much it paid for Siemens' 40 per cent share in Polygram.

Polygram, whose turnover was DM 2bn in 1983, is known to have suffered notable losses from a costly and inefficient U.S. distribution system in recent years.

Durig last year's battle with the U.S. Federal Trade Commission (FTC) over Polygram's possible merger with Warner Communications, court papers revealed that Polygram had lost $255m on sales of $974m over the preceding six years. Losses of $15m were expected for 1984.

Polygram and Warner, the U.S. media entertainment group, last November dropped plans to combine their record operations *because* of the FTC's opposition on anti-trust grounds.

Kuwaitis join in French high-tech capital venture

BY DAVID MARSH IN PARIS

FRENCH and Kuwaiti institutions have set up a joint company to take stakes in small high technology French enterprises as part of further efforts to boost venture capital in France.

France's state-backed Industrial Development Institute (IDI), which unveiled improved financial results yesterday, is among the French participants in the company, Compagnie *d'Investissement dans les* Technologies Avancées (CITA), between the two countriesetao which has a capital of FFr 100m ($10.3m) split 50:50 between the two countries. Other French participants are Elf Aquitaine and Paribas, while the Industrial Bank of Kuwait and Kuwait Petroleum Gompany are among the Kuwaiti investors.

M Claude Mandil, chairman of IDI, who took up his post a year ago *after a series of* wrangles within the Government over the future of the institute, said that last year marked a "turning point" for the organisation, set up 15 years ago to take atakes in small and medium companies.

IDI last year *had* a profit, according to provisional figures, of about FFr 50m, made up of FFr 30m of operating profits and FFr 20m in capital gains. This was the first positive result for several years. In 1983, its looss amounted to FFr 135m.

M Mandil said IDI—owned 45 per cent by the state and 11.4 per cent by Electricite de France, with the rest held by banks and financial institutions—intended to step up its centure capital support for industry. It is setting aside a preliminary amount of FFr 30m for direct venture capital participations.

Additionally, IDI, together with the State-owned financial group, Compagnie Financiere de Suez, is planning to regroup three existin gseparate venture capital organisations into a single holding company with around FFr 500m in assets and FFr 300m in available funds.

IDI, which raised its capital by FFr 100m last year after an earlier writedown to take account of previous losses, now has equity of FFr 870m, of which around FFr 670m represents invested assets.

Last year IDI sold majority stakes in several groups including the combine harvester maker, Braud, and the publisher, Robert Laffont. It also invested FFr 120m in equity participations or through convertible bond issues for a variety of small and medium groups.

Kloeckner denies snags in merger with Krupp Stahl

BY PETER BRUCE IN BONN

KLOECKNER-WERKE, one of West Germany's big four steelmakers, has dismissed reports that the planned merger of its steel businesses with Krupp Stahl *is* in trouble. Kloeckner's chairman, Dr Herbert Gienow, said late last week the merged steel business would definitely begin operations on July 1.

It appears, however, that both Kloeckner and Krupp, and the Australian natural resources group, CRA, have laregly given up hopes, if they were ever strong, of the Bonn Government meeting their demand for a DM 500m ($158m) cash injection to set the new group, Stahlwerke *Krupp-Kloeckner* (SKK), on its way.

The merger, originally announced late last October, will create West Germany's second largest steelmaker, with assets valued at some DM 1.5bn. Krupp and CRA are to take a 35 per cent stake each, while Kloeckner takes 30 per cent.

Dr Gienow said that despite *difficulties* over the DM 500m and opposition from regions affected by a plant closure programme which will accompany the merger, "the understanding between the partners is unconditional."

SKK's balance sheet, Dr Gienow said, would be backdated to January 1 this year, and there was "no doubt" that the Government would support the partners' claim for a further DM 350m out of a fund set up some years ago to encourage the steel industry to rationalise.

Dr Gienow, whose remarks *were placed* under embargo until today, also indicated the major political problem lay with the conservative Laender government in Lower Saxony, which was fighting to save jobs threatened by proposals to close Kloeckner's Georgsmarienhutte works.

Fiat injects FFr 1bn into French truck subsidiary

BY PAUL BETTS IN PARIS

FIAT, the Italian motor group, has injected FFr 1bn ($103m) into Iveco-Unic, its French truck subsidiary, to reconstitute its capital in the face of continuing heavy losses and restructuring costs.

Iveco-Unic had a deficit last year of about FFr 340m from its operations. This is about the same as in 1983. However, the subsidiary had additional charges of FFr 250m last year to cover the costs of 1,250 job losses at its truck plant at Trappes.

The Italian group shut down its Trappes facility at the end of last year. The move reflects the continuing depressed state of the European and French truck markets.

Iveco-Unic has also warned that the future of its coach manufacturing plant of Fourchambault, in central France, would be in the balance after 1987 if orders fail to pick up. It is especially banking on a major order from the French army for 500 of its Lorraine coaches, manufactured at Fourchambault, which is currently operating at 50 per cent capacity.

However, the subsidiary intends to continue investing in its truck engine manufacturing plant at Bourbon-Lancy, also in central France.

Iveco, Fiat's large truck division, is envisaging investments of FFr 300m over the next three years at its French engine plant. This reflects Iveco's broad strategy of concentrating truck engine production in France, components operations in West Germany and assembly operations in Italy.

The Italian group saw its share of the French heavy truck market decline by four percentage points last year to 14.8 per cent. The French subsidiary said this market share drop followed the company's decision to opt out of the fierce price-cutting war which has plagued the French heavy truck market.

In contrast, Iveco saw its share of the French light three-five tonnes truck market rise by 1.5 percentage points to 12.2 per cent because of adequate sales of the group's Daily vans.

Growth for Bayerische Landesbank

By John Davies in Frankfurt

BAYERISCHE LANDESBANK, one of the largest publicly owned banks in West Germany, will pay a dividend on last year's earnings, as well as building up its financial reserves and increasing its risk provisions.

The bank has not yet disclosed the dividend to be paid to its shareholders, the Bavarian state government and community-owned savings banks, but since it was formed through a merger of two local banks in 1972 it has not paid less than 7 per cent.

The bank's partial operating earnings — interest and commission income *minus personnel* and material costs — edged up to DM 530m ($167m) in 1984 from DM 524m. Net interest income rose to DM 870m from DM 850m, while commission income was stable at DM 114m.

The bank has given no details of its increase in risk provisions, but it is a 16.7 per cent shareholder in Deutsche Anlagen-Leasing (DAL), the troubled leasing concern which has suffered heavy losses

Nestle raises turnover 11%

By Our Financial Staff

NESTLE, the Swiss foods group, says turnover rose by 11.3 per cent to SwFr 31bn ($11.65bn) *in 1984*. It adds that net profits have grown at a slightly faster rate than turnover.

In 1983, Nestle turnover was SwFr 28.1bn, while net profit rose to SwFr 1.26bn.

This announcement appears as a matter of record only JANUARY, 1985

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Issue of
£50,000,000 10⅝ PER CENT. NOTES DUE 1989
at an issue price of 99¾ per cent.
and
£50,000,000 11 PER CENT. NOTES DUE 1994
at an issue price of 99¾ per cent.
with interest payable annually in arrears on December 14

Baring Brothers & Co., Limited

Algemene Bank Nederland N.V.
County Bank Limited
Deutsche Bank Aktiengesellschaft
Hill Samuel & Co. Limited
Kleinwort, Benson Limited
Lloyds Bank International Limited
Samuel Montagu & Co. Limited
Morgan Guaranty Ltd
Orion Royal Bank Limited
Union Bank of Switzerland (Securities) Limited
Barclays Bank Group
Credit Suisse First Boston Limited
Hambros Bank Limited
IBJ International Limited
Kredietbank International Group
Merrill Lynch Capital Markets
Morgan Grenfell & Co. Limited
Nomura International Limited
J. Henry Schroder Wagg & Co. Limited
S. G. Warburg & Co. Ltd.

Alahli Bank of Kuwait (K.S.C.)
Al-Mal Group
Amro International Limited
Astaire & Co. Limited
Banca Commerciale Italiana
BankAmerica Capital Markets Group
Bank in Liechtenstein AG
Bank Leu International Ltd.
Bank Mees & Hope NV
Bank of Scotland
Bank of Tokyo International Limited
Bankers Trust International Limited
Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
Banque Gutzwiller, Kurz, Bungener (Overseas) Limited
Banque Internationale à Luxembourg S.A.
Banque Louis-Dreyfus *en* Suisse SA
Banque Nationale de Paris
Banque Paribas
Banque de l'Union Européenne
Banque Worms
Baring Far East Securities Limited
Bayerische Hypotheken- und Wechsel-Bank Aktiengsellschaft
Bayerische Vereinsbank Aktiengsellschaft
Berliner Bank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Caisse Centrale des Banques Populaires
Caisse des Dépôts et Consignations
Caisse Nationale de Crédit Agricole
James Capel & Co.
Cazenove & Co.
Charterhouse Japhet plc
Chase Manhattan Capital Markets Group
Chase Manhattan Limited
Chemical Bank International Group
CIBC LIMITED
Citicorp Capital Markets Group
Commerzbank Aktiengesellschaft
Compagnie Monégasque de Banque
Crédit Commercial de France
Crédit du Nord
Crédit Lyonnais
Dai-Ichi Kangyo International Limited
Daiwa Europe Limited
DG Bank
Deutsche Genossenschaftsbank
Dominion Securities Pitfield Limited
Dresdner Bank Aktiengesellschaft
Drexel Burnham Lambert Incorporated
Enskilda Securities
Skandinaviska Enskilda Limited
European Banking Company Limited
First Interstate Limited
Fuji International Finance Limited
Genossenschaftliche Zentralbank AG Vienna
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.
W. Greenwell & Co.
Grieveson, Grant & Co.
Grindlay Brandts Limited
Hoare Govett Ltd.
Kansallis-Osake-Pankki
Kidder, Peabody International Limited
Kitcat & Aitken
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Kuwait International Investment Co. s.a.k.
Lazard Frères et Cie
Lehman Brothers Kuhn Loeb International, Inc.
LTCB International Limited
B. Metzler seel. Sohn & Co.
Mitsubishi Finance International Limited
Mitsui Finance International Limited
Morgan Stanley International
The National Bank of Kuwait S.A.K.
Nederlandse Credietbank nv
New Japan Securities Europe Limited
The Nikko Securities Co., (Europe) Ltd.
Nippon Kangyo Kakumaru (Europe) Limited
Norddeutsche Landesbank Girozentrale
Österreichische Länderbank Aktiengesellschaft
PaineWebber International
Phillips & Drew
Pierson, Heldring & Pierson N.V.
PK Christiania Bank (UK) Ltd.
Postipankki
Prudential-Bache Securities
Rabobank Nederland
Rea Brothers Plc
N.M. Rothschild & Sons Limited
Rowe & Pitman
Salomon Brothers International Limited
Sanwa International Limited
Sarasin International Securities Limited
Simon & Coates
Singer & Friedlander Limited
Smith Barney, Harris Upham & Co. Incorporated
Société Générale
Société Générale de Banque S.A.
Standard Chartered Merchant Bank
Strauss Turnbull & Co.
Sumitomo Finance International
Sumitomo Trust International Limited
Svenska Handelsbanken Group
Swiss Bank Corporation International Limited
Swiss Volksbank
The Taiyo Kobe Bank (Luxembourg) S.A.
Tokai International Limited
Toyo Trust International Limited
Union Bank of Finland Ltd.
Vereins- und Westbank Aktiengesellschaft
Vickers da Costa Ltd.
Wardley
Westdeutsche Landesbank Gironzentrale
Westfalen Bank Aktiengesellschaft
Williams & Glyn's Bank PLC
Wood Gundy Inc.
Yamaichi International (Europe) Limited
Yasuda Trust Europe Limited
de Zoete and Bevan

This announcement appears as a matter of record only DECEMBER, 1984

INTER-AMERICAN DEVELOPMENT BANK

ISSUE
on a yield basis
of
£100,000,000
9¾ PER CENT. LOAN STOCK 2015
Issue Price £85.810 per cent.

Payable as to £30 per cent. of the nominal amount on application
and as to the balance of the issue price by 19 June, 1985
with interest payable half yearly on 15 November and 15 May

Baring Brothers & Co., Limited

County Bank Limited **Hill Samuel & Co. Limited**
Kleinwort, Benson Limited **Lazard Brothers & Co., Limited**
Lloyds Bank International Limited **Morgan Grenfell & Co. Limited**
N. M. Rothschild & Sons Limited **J. Henry Schroder Wagg & Co. Limited**
S. G. Warburg & Co. Ltd.

This announcement appears as a matter of record only OCTOBER, 1984

AFRICAN DEVELOPMENT BANK

ISSUE
on a yield basis
of
£50,000,000
11¼ PER CENT. LOAN STOCK 2010
Issue Price £91.574 per cent.

Payable as to £30 per cent. of the nominal amount on application
and as to the balance of the issue price by 10 April, 1985
with interest payable half yearly on 4 January and 4 July

Baring Brothers & Co., Limited

Barclays Merchant Bank Limited **County Bank Limited**
Samuel Montagu & Co. Limited **Morgan Grenfell & Co. Limited**
S. G. Warburg & Co. Ltd.

This announcement appears as a matter of record only OCTOBER, 1984

EUROPEAN ECONOMIC COMMUNITY

£50,000,000
11⅜ per cent. Notes 1990

Baring Brothers & Co., Limited
Lloyds Bank International Limited **S. G. Warburg & Co. Ltd.**

Algemene Bank Nederland N.V.
Barclays Bank Group
Dresdner Bank Aktiengesellschaft
Hill Samuel & Co. Limited
Samuel Montagu & Co. Limited
Morgan Guaranty Ltd
Banque Paribas
County Bank Limited
Hambros Bank Limited
Kleinwort, Benson Limited
Morgan Grenfell & Co. Limited
The Nikko Securities Co., (Europe) Ltd.
J. Henry Schroder Wagg & Co. Limited

Alahli Bank of Kuwait (K.S.C.)
Al-Mal Group
Amro International Limited
Astaire & Co. Limited
Julius Baer International Limited
Banca Commerciale *Italiana*
BankAmerica Capital Markets Group
Bank Mees & Hope NV
Bank of Tokyo International Limited
Bankers Trust International Limited
Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
Banque Indosuez
Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris
Banque de l'Union Européenne
Banque Worms
Bayerische *Landesbank Girozentrale*
Berliner Handels-und Frankfurter Bank
Caisse Centrale des Banques Populaires
Caisse des Dépôts et Consignations
Caisse Nationale de Crédit Agricole
Cazenove & Co.
Chase Manhattan Capital Markets Group
Chase Manhattan Limited
Chemical Bank International Group
CIBC Limited
Citicorp Capital Markets Group
Crédit Commercial de France
Crédit du Nord
Crédit Lyonnais
Credit Suisse First Boston Limited
Dai-Ichi Kangyo International Limited
Daiwa Europe Limited
DG BANK Deutsche Genossenschaftsbank
Dominion Securities Pitfield Limited
Effectenbank Warburg Aktiengesellschaft
Enskilda Securities
Skandinaviska Enskilda Limited
First Chicago Limited
First Interstate Limited
Fuji International Finance Limited
Genossenschaftliche Zentralbank AG Vienna
Girozentrale und Bank der osterreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.
W. Greenwell & Co.
Guinness Mahon & Co. Limited
Hoare Govett Ltd.
IBJ International Limited
Kansallis-Osake-Pankki
Kidder, Peabody International Limited
Korea Investment Trust Co., Limited
Lazard Frères et Cie.
LTCB International Limited
Manufacturers Hanover Limited
Merrill Lynch Capital Markets
B. Metzler seel. Sohn & Co.
Mitsubishi Finance International Limited
Mitsui Finance International Limited
Morgan Stanley International
Nederlandse Credietbank nv
New Japan Securities Europe Limited
Nippon Kangyo Kakumaru (Europe) Limited
Nomura International Limited
Norddeutsche Landesbank Girozentrale
Orion Royal Bank Limited
Österreichische Länderbank Aktiengesellschaft
PaineWebber International
Phillips & Drew
Pierson, Heldring & Pierson N.V.
PK Christiania Bank (UK) Ltd.
N. M. Rothschild & Sons Limited
Rowe & Pitman
Sanwa International Limited
Sarasin International Securities Limited
Simon & Coates
Singer & Friedlander Limited
Société Générale
Société Générale de Banque S.A.
Standard Chartered Merchant Bank
Strauss Turnbull & Co.
Sumitomo Trust International Limited
Svenska Handelsbanken Group
Swiss Bank Corporation International Limited
The Taiyo Kobe Bank (Luxembourg) S.A.
Toyo Trust International Limited
Vereins-und Westbank Aktiengesellschaft
Vickers da Costa Ltd.
Westdeutsche Landesbank Girozentrale
Wood Gundy Inc.
Yamaichi International (Europe) Limited
Yasuda Trust Europe Limited

INTERNATIONAL COMPANIES and FINANCE

Emilia Tagaza on a Philippines bank's battle against closure

BF fights Central Bank in court

IN A last-ditch attempt to save itself from liquidation, the embattled Banco Filtpino (BF), the Philippines' largest saving bank, has asked the courts to set aside a Central Bank order placing il under the receivership of the stale-owned Philippioe National Bank.

Last week the Monetary Board of the Central Bank said that BF was insolvent and forbade it from doing business.

BF argues that, contrary to the Central Bank's claim, it has all the cash needed to meet its depositors' demands. The savings hank said it registered a gross profit of 108.6m pesos (U.S.$5.7m) last year, "despite being illegally disallowed hy the Central Bank from lending." BF said the Central Bank move was arbitrary and made in bad faith.

Few see BF ever houncing back, for gone are the days when the Central Bank was a generous lender of last resort and a considerate, caring nurse to ailing private banks. Mr Jose Fernandez, the crusading Central Bank governor is now putting teeth into his threat to clear the Philippine financial system of over-extended and inefficieot banks.

As part of the August bail-out arrangement, the Central Bank appointed a conservator for BF, whose recent report formed the basis for the closure order. The Cenlral Bank said BF has become insolvent and that its continuance in business would involve probable losses to depositors and creditors of the bank.

However, probably as significant as the closure order is the transfer of BF's deposit accounts to the state-owned Philippine National Bank (PNB), whicb is itself having serious cash problems.

The Philippine Government, under a Letter of Intent submitted to the International Monetary Fund (IMF) in exchange for an SDr 615m ($631m) standby credit, committed ltself to the rehabilitation of PNB and at the same time promised to limit its contributions and credits to PNB. The state-owned bank's financing problems, the Letter of Inlent said, will be covered by, among other things, higher collections, llmited lending, and an increase in its deposit hase through higher interest rates.

Last year, the state-run Social Security System (SSS), pumped close to 1bn pesos into PNB to help ride it over its casb problems. PNB needs to be propped up because of its vital role in agricultural tending.

In earlier emergency cases troubled banks have been allowed to continue in operation but with their cash advances converted into government equity. In the last two years, about 3bn peso of government rescue funds has been given to trapped private banks.

The massive bail-out was justified as a move that would plug a disastrous run and avert a major breakdown in the financial system. As a result, five of the country's commercial banks are now controlled by the government.

BF's closure is the second major case being handled under what Mr Fernandez calls his "crusade for sound and responsible banking." Shortly after he announced the crusade last year, the Bank of Philippine Islands (BPI), one of the country's largest commercial banks, acquired Family Bank and Trust which had also experienced cash prohlems. Mr Fernandez wants to see fewer but better banks.

Trebled group net profits at Minebea

By Terry Povey

MINEBEA, JAPAN'S leading manufacturer of precision bearings, has reported a trebling of group net profits from Y1.01bn to Y3.07bn ($12.08m) for the year to September 30.

Sales of the group, which has diversified into the assembly of electronic calculators and personal computer keyboards, and recently agreed a joint-venture with Inmos of the UK for the production of semi-conductors, rose by just over 30 per cent to Y148bn from Y113bn.

Pre-tax profits also advanced strongly, to Y9.35bn from Y3.3bo, and net profits per share increased to Y14.19 from Y4.93.

Mineabea has consolidated subsidiaries in Singapore and Thailand—both of which contributed to the good results. The parent company's net profit was Y4.66bn and sales Y131bn.

For the group as a whole both sales and earnings were boosted by strong demand for bearings reflecting higher orders from video cassette recorder manufacturers and the business machine industry.

Miniature bearing sales rose by 55 per cent to Y45.8bn, equal to 31 per cent of overall sales. Electronic machines and parts sales were comprised 40 per cent of turnover at Y58.7bn.

● Sanyo Electric, one of Japan's biggest manufacturers of consumer electronics equipment, has announced a 20.4 per cent rise in parent company net profits, to Y27.54bn ($108.4m) for the year to November 30 from Y22.87bn.

Sales were ahead by a similar amount to Y992bn from Y820bn. Earnings per share were up to Y27.17 from Y23.79 and the dividend total is unchanged at Y7 per share.

Singapore stockbroker to be wound up

BY CHRIS SHERWELL IN SINGAPORE

THE STOCK Exchange of Singapore is expected to wind up soon the affairs of Alfa-Pacific Securities, a local stockbroking firm, after suddenly stepping in earlier this mooth to supervise its affairs.

For the firm, the youngest of the stock exchange's 25 members, the action is a step short of bankruptcy which will prevent banks losing money they lent and protect clients. Officials, already embarrassed by the problem, also hope to contain the inevitable reverberations on Singapore's currently weak stock market.

Alfa-Pacific's downfall is the first of its type in more than 10 years. In 1974 Chan Lin Securities, another local firm, was taken over after it got into difficulties.

The stock exchange began directly managing and supervising the day-to-day affairs of Alfa-Pacific on January 14 "at the request of all the directors and all the shareholders," according to a statement.

Further action proved necessary, however, and a few days ago the exchange suspended Alfa-Pacific's three directors, Mr Anthony Teo, Mr Francis Chu and Mr Chua Chye Chua. Mr Chua's son, Dr Chua Wee Meng, resigned last August, not long after the authorities began an investigation into the firm.

The firm's troubles stretch back to last April, when the exchange first looked into alleged irregularities which were said to involve insider trading and commodities speculation. Other problems, mostly springing from share speculation, have since come to light during the local market's sustained decline.

Further confusion has been created by severe internal disagreements among the directors over the sale of Dr Chua's interest in Alfa-Pacific to his partner, Mr Anthony Teo. Payment was evidently made but the shares themselves have not turned up, apparently because they were pledged elsewhere.

To make sure Alfa-Pacific's creditors do not suffer by its closure, the stock exchange is expected to dip into the Fidelity Fund, set up under the Securities Act to compensate investors who suffer financial loss through the misuse of funds by a stockbroking firm.

With the winding up of Alfa-Pacific, a seat on the stock exchange will become open to other interested parties at a cost roughly estimated at S$3m to S$5m (US$2.27m). Foreign firms are not allowed to be members.

NZ News drops bid to increase stake in NZPA

NZ NEWS, one of New Zealand's major newspaper and publishing groups, bas dropped its bid to increase its bolding lo NZPA Limited (NZPAL), tbe company which holds a stake in Reuters on behalf of the country's media, Dai Hayward reports from Wellington.

Shareholders in NZPAL, that is other newspaper publishers, have refused to sell to NZ News desplte the offer being increased from NZ$3,300 (US$1,582) to NZ$4,650 a share.

NZ News is already the largest shareholder in NZPAL with 26.9 per cent and there was concern over its winning control.

Brierley Investments, the master company of Mr Ron Brierley, owns almost 40 per cent of NZ News and was seen as the force behind the move. It is now concentrating on increasing its holding in NZ News to give it control. The Commerce Commission is considering this and is seeking an assurance over the editorial independence of the company.

UK COMPANY NEWS

Hillards expects satisfactory rise

IN ITS 100th anniversary year, the West Yorkshire based supermarket operator Hillards is again expecting to achieve a satisfactory increase in profit.

For the 28 weeks ended November 10 1984 turnover moved ahead by 11.9 per cent, from £117.65m to £131.7m, and the profit before tax by 10.2 per cent from £3.26m to £3.6m. As a percentage of turnover the latter is equal to 2.73 per cent, compared with 2.77 per cent.

Mr Peter Hartley, the chairman, says sales increases have been difficult to achieve during the period, particularly in the areas affected by the miners' strike. Of the 11.9 per cent sales rise, inflation accounted for an estimated 5.2 per cent and the impact of new stores contributed 8.7 per cent.

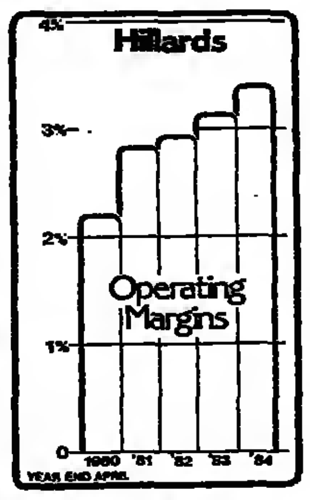
A store of 31,500 sq ft selling area was opened in Rotherham in September. Building work is in progress at Brownhills, Lincoln, Scunthorpe and Scarborough; and all these should be opened before Christmas thereby increasing the selling space of the group by 105,000 sq ft.

In addition a site has been acquired at Atherton (Lancs), and contracts are at an advanced stage of negotiation for other sites.

Capital expenditure for the year ended April 1985 is expected to be in the £11m to £12m range. Net borrowings at the end of the half year had risen to £5.4m, compared with £4.33m at end April 1984.

Operating profit for the period rose 12.3 per cent to £4.05m, before net interest payable £293,000 (£193,000) and employee profit share £158,000 (£148,000). Just over 55 per cent of eligible staff chose to take shares rather than cash which meant 74,000 shares being distributed to 1,169 employees.

Tax charge is £970,000 (£1.21m)—the 27 per cent rate used being that estimated to be applicable for the full year—leaving the net profit at £2.63m (£2.06m), for earnings of 10.7p (8.41p). The interim dividend is lifted to 1.7p net (1.45p); the total for 1983-84 was 4.8p from pre-tax profits of £6.76m.



● comment

Having had four fat years with average annual profit rises of more than a third, Hillards is having to use all its resourcefulness to find growth in a trading environment dulled by the effects of the coal strike and the competitive edge of the larger multiple grocery groups. Behind the 12 per cent sales rise is a 2 per cent volume shortfall. It is difficult to quantify how much of this is directly attributable to miners' empty pockets, except to say that the company's north-east locations are well represented in coal mining areas. While the strike will continue to have an effect, it appears that volume has started to pick up again, albeit slowly. For growth, then, this means that the group will have to depend more than ever on its programme of new openings, of which there are at least five in the pipeline this year. Having had a good trading Christmas period, it should be possible for Hillards to reach £7.7m pre-tax this year, a 15 per cent increase over 1983-84. Taking a line through the interim tax charge the 326p shares, down 10p, are selling on a prospective multiple of 14. Although this second largest regional supermarkets group would be expensive to buy there is an element of bid speculation in this full rating.

Securiguard tops £0.8m: major deal planned

PRE-TAX PROFITS of Securiguard Group rose from £532,000 to a record £821,000 in the year to October 28 1984 following a further advance over the second six months.

The USM group also announced that it was about to make a major acquisition and buy a privately-owned UK company in the security industry.

Mr Alan Baldwin, the chairman, said: "It will be our largest acquisition. So far, the company's biggest purchase has been Property Guards, bought for £1.2m in 1983. More recently it acquired Concorde Armoured Services for £190,000.

Shareholders are told that the results illustrate a "dramatic" change of emphasis in group activities over the year.

Securiguard is now over 70 per cent security-based and the intention is for the security division to continue to provide the major area of expansion.

The group intends to develop sales and installation in the fast developing field of close-circuit television, slow scan monitors and perimeter defence systems through its 1,400 existing clients and contracts.

To complement the strong internal growth in the group's security business the directors will continue to look for strategic acquisitions in the security field. They remain confident that group growth can be maintained in 1985.

Turnover for the past year expanded from £7.52m to £12.4m, an increase of some 65 per cent.

Tax, at 47 per cent, took £387,000 (£256,000 at 52 per cent) and an extraordinary tax charge accounted for a further £149,000.

Earnings per 5p share rose by 2.7p to 8p. The dividend for the year is being increased to 2.35p (0.87p) net.

During 1983-84 the cleaning division recorded a marginal increase in profits despite a difficult trading period. The directors are confident this section will increase its market share when conditions improve.

The security division achieved "excellent" growth and showed a sales growth of some 114 per cent in the year. According to independent sources the security division is now the largest manned guarding company in the UK.

The acquisition of Concorde Armoured Services last August will add substantially to the group's portfolio of security services offered. Concorde specialises in transit of valuables, wage packinging and alarm systems.

At the time of the acquisition the directors believed there were opportunities for the expansion of the cash-in-transit facility. They said the new service would enhance the opportunity to increase growth and profits.

● comment

The market has treated Securiguard with some caution since it was placed at 134p on a 29 times multiple of forecast earnings in 1983. The shares floundered when the group lost a highly-publicised Merton Council contract for cleaning schools. As a result, while profits have soared over the last two years to justify the ambitious placing multiple, the shares at 142p, up 9p yesterday, no longer attract a high rating. There are good grounds for thinking they are now undervalued—if profits this year grow to £1.1m pre-tax then the shares change hands on a prospective multiple of 12, assuming a 42 per cent tax charge. This valution gives insufficient weight to the expansion of the security side of the business, both by organic growth and acquisition. Security, which now accounts for 70 per cent of turnover, against 50 per cent at flotation, could be up to 90 per cent of the business in a year or two. It has good prospects of using its national network of manned guard services for adding on other higher-margin activities—notably the sale and instalation of security hardware like closed-circuit television systems.

Vibroplant shows 15% first half expansion

In spite of a basically static market, the Vibroplant group has lifted its pre-tax profit by 15 per cent, from £1.32m to £1.52m, in the half year ended September 30 1984, from a plant hire turnover of £10m, compared with £9.1m.

Total turnover declined from £10.63m to £10.38m, which reflects the continued winding down of the stake in the video leisure industry. The improved results have been won against "extremely severe" competition in all sectors of the construction industry and the directors believe the difficult trading environment will persist throughout 1985.

Vibroplant has enlarged its share of a basically static market and expects to maintain this level of improvement in the second half. Therefore, the directors are lifting the interim dividend to 3.3p (3p) net and anticipate paying a final of not less than 5.5p (5p).

After tax £652,000 (£687,000) and minorities £7,000 (£859), the half year's net attributable profit is £858,000 (£634,000) for earnings of 14.31p (10.56p) per share.

For the whole of 1983-84, the net attributable profit came out at £909,000, subject to £416,000 extraordinary provision against the book value of V. L. Leisure assets. That has proved conservative and the near £30,000 realised on the disposal of certain assets has been taken as an extraordinary credit.

Since September, the level of V. L. Leisure trading has been further substantially reduced.

● comment

After a disastrous foray into entertainment videos it is back to plant hire for the construction industry at Vibroplant—wiser but £2¼m poorer pre-tax. Good news for shareholders maybe, yet it raises the same old questions of being tied to a cyclical industry which prompted the company's move into the fickle world of entertainment machines in the first place. The construction industry is volatile and the plant hire sector suffers from over-capacity and cut-throat pricing. Vibroplant argues that it can maintain some stability in this choppy sea by its commitment to servicing and reliability. Even so it is probably doing well if its prices can keep up with inflation. Still the company sounds fairly confident at present which could mean profits growth around 15 per cent and a dividend payout higher by 10 per cent. That might have something to do with the dollar earnings out of Florida and no doubt some modest expansion there might not come amiss assuming management controls are in place. At 153p—an 8p rise in a falling market—a p/e of 7¼ and yield of 8½ per cent looks fairly modest but Vibroplant is not an obvious target for an adventurous rerating yet.

C4 and Exchequer costs fail to halt TVS advance

Television South paid out some £6.39m more to combined Channel 4 subscription and Exchequer Levy, but still improved pre-tax profits by £3.71m, or 83 per cent, in the year to October 31, 1984.

The company, which has been operating the commercial TV franchise for the south and south-east of England since 1982, is to pay a final dividend of 4p net per 10p share for a 6p total. Last year there was a single maiden payment of 2p.

The taxable return for the year came to £8.18m against £4.47m after a £16.32m deduction for Channel 4, up from £13.61m. The Exchequer took £6.04m against £2.35m, and there were net interest charges down by £0.6m at £371,000.

Commenting on the performance, Lord Boston of Faversham, the chairman, sounded two warning notes, the first concerning direct broadcasting by satellite (DBS).

While the company remained convinced that it could make an "important and exciting" contribution to the future of television, doubts were being cast upon the commercial viability of DBS because of the cost of the proposed Unisat system, preferred by the government as the supplier of the satellite. The long-term success of satellite broadcasting might be achieved by an alternative approach, he said.

These uncertainties, coupled with the growing competition from other forms of home entertainment, suggested that this was hardly the appropriate moment for the government to change the tax base of the industry, he added.

After tax at £4.68m (£1.43m), earnings per share are shown at 14.37p (12.47p) undiluted and at 14.16p (12.47p) fully diluted. The higher than average tax charge arises from the withdrawal of first year allowances which will result in the crystalisation of tax liabilities for which provision had not been made at the previous year end.

Lord Boston also reports that a sum equivalent to 15 per cent of the dividend would be paid to the TVS Trust to give financial support to projects in the company's transmission area.

● comment

Long-term prospects for TVS continue to look good. It is one of the more exciting of TV companies with the benefit of being located in the most prosperous area of the country. The current year will probably be rather dull, however, with rising labour and production costs against an expected increase in advertising revenue of about 10 per cent. TVS hopes to increase overseas sales which accounted for around 20 per cent of last year's £5m total. It is gradually winning recognition from the five major TV contractors who recently accepted a 12 hour drama series from TVS called Cats Eyes. TVS should within a couple of years achieve its aim of becoming a major regional network. Profit forecasts for the current year are almost impossible at this stage with advertising revenue so uncertain and both the Channel 4 subscription and Exchequer Levy undecided. About the only sure thing is that the tax charge will reduce to a more standard rate of around 40 per cent. The share rose 3p to 138p where the historic p/e is 9.4.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Access Satellite International, Courts (Furnishers), Cowan de Groot, Desisn, Dom, Hambro Trust, Haynes Publishing, Home Farm Products, Meat Trade Suppliers.

Finals:—I.O.C., A. Kershaw, Leda Investment Trust, Meggitt, Microgen, Rank Organisation, Rank Precision Industries.

FUTURE DATES

Interims:—	
Abingworth	Feb 7
Applied Holographics	Jan 30
Stonehill	Feb 12
Wintrust	Jan 30
Finals:—	
Bibby (J.)	Feb 27
Scottish Agricultural Industries	Feb 14
Updown Investment	Feb 20

McCorquodale rights issue to raise £14.8m for acquisitions

McCorquodale, security printing and packaging group, is raising £14.8m net by means of a one-for-four rights issue at 150p to fund its busy acquisition programme.

The latest fund raising comes a year after a one-for-four rights issue which raised £10.8m for McCorquodale last January.

In the latest in a series of takeovers, McCorquodale yesterday announced it had bought the business and assets of Robert Snow Means Company for $8m (£6.9m). Means, a private company which is based in Boston, Massachusetts, and which supplies publications and services for the U.S. construction industry, made pre-tax profits of about $1m on turnover of $7m in the year ended December 31 1984.

This deal, which was completed at the end of December, is part of a new growth programme aimed at creating a specialised international publishing business, McCorquodale said.

It has also paid $600,000 cash to increase its stake in Dealer's Digest Inc to 25 from 20 per cent. Dealers' Digest is a New York City publisher of magazines, journals and newsletters for the professional financial and investment banking communities.

McCorquodale first revealed in January 1983 that it had bought a 20 per cent stake in Dealers' Digest for £1.4m.

Earlier this month McCorquodale announced it had bought John Wisden & Company, publishers of Wisden Cricketers' Almanack and other cricketing books, for £400,000 from Grays of Cambridge (International).

McCorquodale is also investing in new technology for its security and other printing activities. Its shares fell 8p to 165p yesterday. The rights issue, which was successfully underwritten yesterday despite the sharp fall in the stock market, will lead to the issue of 10.25m 25p shares.

The issue is subject to the passing at today's annual meeting of a resolution approving an increase in the authorised share capital from £12.5m to £13.5m and conferring authority on the board to issue securities up to a revised nominal amount of £3.5m.

The issue has been underwritten by Kleinwort, Benson and the brokers are Hoare Govett.

Other acquisitions carried out by McCorquodale in the past year include the purchase, for up to £3.75m, of Avon Valley Investments, a colour printer of magazines, and of three printing companies from Reed International for just over £2m.

McCorquodale increased pre-tax profits by 11 per cent to £8.1m in the year ended September 30 1984 on turnover which rose 10 per cent to £122m. Dividends per share rose 10p to 5.4p.

The company does not break down its turnover by division but it is estimated to make 40 per cent of its sales in the security printing field, chiefly cheques; 25 per cent in book printing and binding; and 15 per cent in colour display material for the paint and cosmetics industries.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
East of Scotland ......int	0.65	March 8	0.65	—	2.5
Equipu ......int	1.4†	March 28	1.3	—	4
G.T. Japan Inv Tst ...int	0.4	—	0.4	—	1.4
Hillards ......int	1.7	April 4	1.45	—	4.8
F. Pratt Eng	1.5	—	nil	1.5	nil
Securiguard	2.35‡	April 8	0.87	2.35	0.87
Silvermines	2¶	March 11	2	4	3.5
TVS	4	—	2	6	2
Vibroplant ......int	3.3	March 8	3	—	8

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish pence throughout.

G. T. Japan net profits up at £241,033

Higher net profits of £241,033 against £179,119 have been shown by G. T. Japan Investment Trust, for the six months to the end of 1984. This follows a period during which the managers' strategy has been to reduce the fund's exposure to higher multiple blue chips and to increase the weighting in leading pharmaceutical and industrial electronics companies, which depend on structural change for their growth.

The net interim dividend has been held at 0.4p. Diluted earnings per 25p share were shown as 0.89p (0.7p) and undiluted as 0.92p (0.71p). The directors expect to maintain the final at not less than last year's level of 1p.

Tax amounted to £197,209 (£194,045).

Total income for the period fell from £1.01m to £758,699, and pre-tax profits were struck after higher management expenses of £214,290 (£163,536), but also after lower interest payable of £105,537 (£475,757).

Standard Life hoists terminal bonus rates

Standard Life Assurance Company, Scotland's largest life company, is making a substantial increase in its terminal bonus rates, paid on death or maturity claims, from February 1 1985 to make it the top traditional life company for past performance on with-profit life contracts.

The company has declared an unchanged reversionary bonus rate for 1984 on assurances of £4.75 per cent of the sum assured and £6 per cent of attaching bonuses. However, its terminal bonus rate, based on the sum assured and attaching bonuses, ranges from 7.5 per cent to 160 per cent, compared with 7.5 to 125 per cent previously.

On personal and executive pensions, the reversionary bonus rates remains at £6.75 per cent of the basic benefit and attaching bonuses. On other individual pension plans the reversionary bonus rate remains at £7.50 per cent compound. Terminal bonuses are paid on these contracts.

● Scottish Provident Institution has announced its highest ever declared bonus rates. It is increasing its reversionary bonus rates, paying a special reversionary bonus rates, paying a special reversionary bonus and raising its terminal rates, in respect of life contracts.

The reversionary rate rises 20p to £5.20 per cent compound and a special bonus of 5 per cent of attaching bonuses is being made. The terminal bonus rate on claims in 1985 is lifted from £1.40 to £1.75 per cent of the basic benefit and attaching bonuses for each year in force except the first.

● Eagle Star Insurance Group, a member of BAT Industries, is keeping its reversionary bonus rates unchanged for 1984. For life contracts, these will be £5 per cent of the sum assured and £6 per cent of existing bonuses, while on individual pension plans the rate is £5.50 per cent of the basic benefit and £6.50 per cent of existing bonuses.

East of Scotland downturn

PRE-TAX PROFITS of East of Scotland Onshore, investment company, slipped from £258,000 to £240,000 for the six months to November 30 1984. Earnings per 25p share are stated down from 1.52p to 1.45p, but the interim dividend is held at 0.65p net.

The company was formed to invest in companies operating in the onshore service or support area of the oil and gas industry. Pre-tax profits for the last full year totalled £437,763 and dividends, amounting to 2.5p were paid.

The board firmly believes that there are clear signs of an upturn in North Sea activity, both onshore and offshore. This is being reflected in an improvement in the monthly trading results and order position of several of the company's investments.

At the end of November, net asset value was down sharply to 67.2p per share, against 92p a year earlier.

UK COMPANY NEWS

Ivan Boesky denies taking stake in Dunlop

By Charles Batchelor

Mr Ivan Boesky, the U.S. arbitrageur who specialises in taking strategic stakes in companies facing takeover bids, denied yesterday that he had taken a stake in Dunlop Holdings.

The Ivan F. Boesky Corporation said it was taking the unusual step of commenting on reports of its activities "to prevent further incorrect speculation."

It said in a statement: "Companies managed by the Ivan F. Boesky Corporation have no interest in acquiring control of Dunlop and officers of those companies have not entered into any discussions with directors of Dunlop towards such an end."

Officials of Mr Boesky's company have held exploratory and analytical discussions with Dunlop and its merchant bankers but these have so far not led to any share purchases.

This does not mean, however, that Mr Boesky would not acquire shares or sell shares short in the future.

The Dunlop camp confirmed that it had received telephone calls from the Ivan F. Boesky Corporation in New York seeking detailed information on Dunlop. The nature of these enquiries suggested Mr Boesky had already been looking closely at Dunlop.

Even if Mr Boesky were to buy Dunlop shares it is doubtful whether the change of ownership could be registered in time to be voted at the shareholders' meeting called for February 8. Dunlop's shares eased ½p to 37p yesterday.

BTR, the broadly-based conglomerate which has made a £33m takeover bid for Dunlop, expects to post its offer document to shareholders later this week. BTR already holds a 28 per cent stake of the preference shares so could block the planned £142m Dunlop rescue package.

Tate strengthens its U.S. presence with $18m buy

BY MARTIN DICKSON

Tate & Lyle is to spend $18m (£16m) to buy Colonial Sugars, a privately-owned Alabama-based company with a strong share of the sugar market in the Gulf of Mexico region of the U.S. Up to $10m more may become payable over the next four years, depending on Colonial Sugars' profit performance.

The deal is Tate's third major North American acquisition in as many months.

Colonial Sugars' main asset is a refinery at Grammercy, Louisiana, close to New Orleans, which has the capacity to refine 500,000 tonnes a year.

Tate's only other refinery in the U.S., acquired in 1976, is at Yonkers, New York, and sells 500,000 tonnes a year in the north-east American market.

The Colonial plant produces a full line of industrial and consumer brand sugars but strong market competition states has put refinery margins under pressure.

The net book values of the assets being acquired is $14.5m and Colonial's pre-tax profits in the year to last June were $9.5m.

Tate will acquire 35 per cent of Colonial's equity immediately and the balance over a period to the end of 1988. About half of the $18m is payable immediately and half in a year's time.

Last month Tate announced that it was buying the agri-products division of Beatrice Inc for $43.2m and in November the company's 51 per cent owned Canadian subsidiary, Redpath Industries, agreed to buy Donlee Manufacturing Industries of Toronto for around C$44m (£31m).

Tate said yesterday that it had long been interested in acquiring a second U.S. refinery, provided the price was right.

Stylo puts up strong defence against bid

Stylo, the shoe retailer, is forecasting doubled profits and dividends in its defence against a tender offer from Mr John Ritblat's British Land property group.

Mr Arnold Ziff, Stylo chairman, said in a letter to shareholders that following management changes and a redefinition of the group's market position, more than 50 stores will be refurbished in 1985 and more than 40 concessions opened.

Pre-tax profits for the year ending February 2 1985 are estimated at £2.25m, against the previous year's £1.09m. A 4.5p dividend is planned, against the previous 2.25p.

Stylo's net asset value per share is estimated to be at least 325p against 288p at the property revaluation last June. "The maximum tender price of 185p nowhere near reflects the true value of your company," Mr Ziff said.

British Land is offering its own shares or cash in a tender which, if successful, would give it between 41.4 and 50.9 per cent of Stylo's equity. Because of Stylo's voting structure, however, it would only have a maximum 29.9 per cent of voting power.

F. Pratt restores dividend

CONTINUING IMPROVEMENT at F. Pratt Engineering Corpn. has enabled the company to return to the dividend list—after a two year absence—with a final payment of 1.5p net for the 12 months to the end of October 1984.

With turnover up from £7.23m to £9.58m, pre-tax profits came to £325,000, against losses of £257,000. At the half year, a profit of £112,000 (£47,000 loss) was reported.

Orders on hand at the end of October totalled £3.4m, against £2.7m a year earlier. With this improved level and as yet, no signs of diminishing activity, some continuation of the trends shown during 1984 may be expected this year, the directors state.

They add that unless there is an unexpected and sudden downturn in trade, the improved level of orders on hand suggests that the future may be viewed with greater confidence than for several years.

More effective cash control enabled the group to reduce borrowings in spite of higher activity and investment in new products.

During the year, costs of some £250,000 relating to diversification projects have been written off. The projects are at a stage when the company expects that development costs will begin to fall and a contribution to profits is looked for in the current year.

Interest charges dropped from £306,000 to £272,000. Tax took £118,000 (£33,000) and stated earnings per 25p share were 3.8p (5.3p losses).

Silvermines leaps to I£4.7m

A SUBSTANTIAL contribution this time of some I£12m from the investment portfolio was reflected in more than doubled 1984 profits at Silvermines, the Dublin-based investment holding company. Pre-tax figures for the period jumped from I£2.28m to I£4.89m.

The board reports that profits have been realised on a number of investments resulting in a surplus of £1.98m (£0.37m loss). Specifically, these relate to a subsidiary's sale of 6 per cent of its 26 per cent holding in Anglian Windows; the sale of a 15 per cent stake in Berkeley Exploration and Production; the sale of a 5 per cent interest in Oliver Prospecting and Mining; and the sale of 500,000 shares (3.1 per cent) of the group's 9.57 per cent holding in Falcon Resources.

Increased revenues from the Kinsale Head Gas Field royalty contributed £0.35m to operating profits, while the Magcobar Baryte Mine royalty contribution was up 8 per cent at £0.68m. In spite of this buoyancy operating profits showed a decline at £0.11m (£0.31m), mainly because of higher interest charges.

This year is expected to see a return to a more normal level of operating profits with reduced interest costs.

Associates' profits improved from £2.34m to £2.6m. Tax took £2.48m (£1.28m) and stated earnings per 2.5p share jumped from 9.29p to 20.37p. There was also an extraordinary charge last time of £0.78m. The dividend total is raised by 0.5p to 4p, with a final of 2p (same). A one-for-four scrip issue is also proposed.

UK Corrugated and DRG in Scots merger

UK Corrugated and DRG (UK) have agreed in principle to a merger of Corrugated Case operations in Scotland.

UKC's local company, UK Corrugated (Scotland), is to acquire DRG's corrugated case business at Uddington, Glasgow, for around £2.5m in cash. In addition, DRG will take a 35 per cent shareholding in UK Corrugated (Scotland), which will be renamed UKC Lairds.

As part of the new company, the DRG plant will be operated in conjunction with UKC's Saracen St, Glasgow, case factory and its Scotpack operation at Irvine, Ayrshire.

DRG said yesterday that its plant was loss-making and very dependent upon the depressed whisky industry. Some rationalisation was necessary if it was to become profitable.

Barclays Bank

Barclays Bank of Canada is to acquire Wells Fargo's Calgary-based Canadian subsidiary in a bid to strengthen its operations in western Canada. The purchase will increase Barclay's asset base in Canada by about 8 per cent.

Barclays has the largest business in Canada of any non-north American bank. The bank, a wholly-owned subsidiary of Barclays Bank of the UK, is concentrating on medium-sized corporate customers in western Canada, similar to the market served by Wells Fargo. Barclays' existing operations in Calgary will be merged with Wells Fargo's office.

Sterling Guarantee

Sterling Guarantee Trust has redeemed 7.58m 7 per cent convertible cumulative preference shares registered in the name of Barclays Bank. The number of preference shares remaining in issue is 28.38m.

Equipu soars and further growth seen

Increased sales volume, maintained margins and continuing tight control of overheads enabled office equipment group Equipu to raise its profits before tax by 57 per cent to £573,000 for the half year to October 31 1984.

Last November, along with news of an aquisition, a rights issue and plans to graduate from the USM to a full listing, profits in the region of £550,000 were forecast.

With the second six months expected to show good contributions from two recent acquisitions and improved results from other companies within the group the outcome for the full year looks "promising."

Mr Philip Bradshaw, the chairman, says he expects a "substantial" improvement on last year's £876,000.

Earnings rose from 6.87p to 7.58p and, as forecast, the interim dividend is being lifted to 1.4p (1.3p) net per 10p share—a final of 2.7p was paid previously.

Turnover moved ahead from £3.9m to £5.64m, an improvement of 45 per cent.

Search for partner to replace Tomatin

Findhorn Finance, the whisky stock financing company, has said that refinancing measures would probably be necessary if it succeeds in finding an alternative trading partner to replace Tomatin, the Invernessshire distiller which went into voluntary liquidation a fortnight ago.

The agreement between the two had meant that Findhorn bought Tomatin's new whisky stocks, held them until they matured, and then sold them back. This was terminated on January 15, by which time Findhorn was already discussing other possibilities with its bankers and the trustee of its loan stocks.

The company said its aim was to find "one or more distillers or other parties engaged in the Scotch whisky trade with whom a similar type of trading agreement would be negotiated." It added that a refinancing of the unsecured loan stocks might form part of a new financial plan.

Radio City chairman sees positive signs

Almost four months into the current trading period at Radio City (Sound of Merseyside), Mr G. K. Medlock, chairman, told members at the annual meeting that the advertising market remained flat. As anticipated, revenue at the Beatle City Exhibition Centre was below expenditure, and would remain so until the spring.

Nevertheless, he said there were positive signs, including a 10 per cent reduction in IBA rentals from the end of March this year. He said the company was looking for further "substantial reductions."

As known, in the last full year to the end of September 1984 this USM company returned lower pre-tax profits of £261,000 (£501,000).

As a result of both capital and revenue expenditure on Beatle City, Mr Medlock anticipated that close to £0.5m would be available in allowances to offset against future tax liabilities.

The IBA had indicated that it would no longer stand in the way of "sensible mergers or take-overs" between radio stations, which Mr Medlock said could quickly rationalise and improve the entire industry.

Rentokil expansion

Rentokil Group is expanding its operations in the Far East through an acquisition in Bangkok, Thailand, and the setting up of a new company in Tokyo, Japan.

The company has acquired, for some £150,000, Kerr Pest Control Services (based in Bangkok) which will be renamed Rentokil Thailand.

The venture in Japan will sell pest control contracts to domestic, commercial and industrial premises. The company will be called Rentokil Japan, in which the Swire Group will have a 25 per cent interest.

MINING NEWS

Phelps in talks on sale of 'significant' Morenci stake

BY GEORGE MILLING-STANLEY

Phelps Dodge, the financially-troubled U.S. copper producer, is discussing the sale to Japan's Sumitomo Corporation of a stake of 20 per cent or more in its Morenci copper operations in Arizona. This represents a significant escalation in the U.S. group's efforts to survive, which have hitherto been confined to the disposal of interests outside the domestic copper business.

A programme of "asset restructuring" last year was expected to raise some $150m (£135m) towards stemming the continuing losses and repaying debt but the latest talks on the possible sale of "a significant minority stake" in what Phelps Dodge acknowledges to be its principal mine indicate clearly that the group needs to raise more money in order to keep going.

The operations involved, which include the Morenci and Metcalf open-pit mines and concentrators, are currently running at full capacity and producing 200,000 tons of copper a year. This is a substantial proportion of Phelps Dodge's capacity of 350,000 tons a year, about one-fifth of total U.S. output. The Morenci smelter, which has been closed since the end of last year on environmental grounds, will not be included in the proposed sale.

Mr G. R. Durham, president of the group, said yesterday that he was pleased at the development, and added that Phelps Dodge and Sumitomo "have been business partners in Latin America and the Far East for many years and work comfortably with each other. The joint venture of our Morenci copper operations with Sumitomo should be a good fit for, and benefit, both parties."

The deal is expected to be finalised by the middle of this year, with Phelps Dodge continuing as operator. The group was not prepared to speculate yesterday about a possible price for the deal, but a spokesman said it was a major move, and the price would obviously be significant.

He added that the Morenci operations are currently running close to break-even on an operating basis, and have a potential life which stretches well into the next century.

Falconbridge shows sharp return to profitability

IMPROVED PRICES for nickel and cobalt and the continued success of the programme for reducing operating costs combined to ensure a return to profitability last year for Falconbridge, Canada's second largest nickel producer behind Inco.

Earnings for the year were C$28.7m (£19m) compared with a re-stated loss in 1983 of C$31.4m. Extraordinary gains of C$51.5m, arising largely from the sale of shares in Superior Oil, brought the final earnings figure for 1984 to C$80.2m, against a loss of C$16.6m in 1983.

The fourth quarter produced net profits of C$9m, compared with a profit of C$10.5m in the closing period of the previous year.

The effects of the cost-cutting measures, higher nickel and cobalt prices and increased sales volumes were offset to some extent by lower prices for copper and precious metals, according to Mr William James, the chairman of Falconbridge.

Final delivery from Mary Kathleen

Mary Kathleen Uranium, Australia's first uranium mine which ceased mining operations in 1981, has this month made its final delivery.

The company, 51 per cent owned by RTZ's Australian arm CRA, declared net earnings of A$5.18m (£4.2m) for 1984 and a total dividend payout of 10 cents per share. The fixed assets were sold in 1983, but it continued to trade through last year with stockpiled uranium oxide.

Improved efficiency helps N. Kalgurli

IMPROVEMENTS IN efficiency boosted North Kalgurli Mines further into profit in the half-year ended January 1, despite a continuing fall in the average price it obtained for its gold.

The company's consolidated operating profit rose to A$1.05m, compared with a loss of A$65,000 in the same half of the previous year and a profit of A$374,000 in the full year ended June 19 1984.

Gold production from the Fimiston gold mine on Kalgoorlie's Golden Mile, Western Australia, rose further, totalling 40,069 ounces for the half-year compared with 58,757 ounces in the last full year.

Revenue totalled A$17.63m in the half year, compared with A$13.71m in the equivalent half of 1983 and A$27.01m in the year ended June 19.

North Kalgurli, which is 28.9 per cent owned and effectively controlled by Metals Exploration, said mining efficiency had been improved during the past quarter by the continuing capital works at its Croesus mill, where capacity had been raised to 580,000 tonnes a year.

It added, however, that its directors were "closely monitoring" the timing of capital expenditure in view of the weak gold price.

Additional cost savings are foreseen from the completion of two significant capital projects in the next six months:

● Conversion of the Croesus mill to the State Energy Commission's 50-cycle power system;

● Development of a borefield to supply saline water for use in processing.

Armour interim lift to £176,000

Armour Trust lifted pre-tax profits for the six months to October 31, 1984, by £55,000 to £176,000 and the directors say the current half year has started well.

The group, a confectionery maker, has interests in high technology and electronics and its figures include £12,000 (£3,000) share of profits of Microsell and Kestrel Electronics, which are related companies.

There was an extraordinary debit of £75,000 (£1,000). Attributable profit is put at £100,000 (£120,000).

Turnover rose from £4.55m to £4.66m. There was no tax (nil) and minorities are £1,000 (£2,000).

It is not the directors policy to pay an interim dividend while "resources are being fully utilised to expand the group." Earnings per share are 0.86p (0.59p).

Profit for 1984 was £321,000. Dividend total was 0.182p net.

In view of the progress shown by Kestrel Electronics, Armour has increased its investment in that company. This month Armour purchased the shareholding of British Technology Group in Kestrel and subscribed further equity. As a result Armour's interest has increased from 42.5 per cent to 70 per cent of Kestrel's share capital, and it is committed to further investment as the business expands.

Kestrel's future looks encouraging. It holds a number of exclusive component distribution agencies and its particular market niche in the area of surface mount technology is forecast to expand significantly. A pre-tax loss in 1983 has been transformed into a reasonable profit for 1984 and an expectation for a substantial increase this year. Sales for 1985 are budgeted to double to a level in excess of £1m.

Microsell Systems, in which Armour has a 22.2 per cent equity interest, had a satisfactory first half result but currently business is slow because a seasonal lack of orders from the retail trade.

At subsidiary Carter Penguin group, confectionery sales were marginally down because Bonds of London completed its move to new premises in Leyton during the half year. This led to a short-term disruption of production, initial start-up costs and lost sales.

COMPANY NEWS IN BRIEF

The following securities have been added to the Share Information Service:

Candover Investments (Section: Trust-Finance Land)

Copson (F.) (Buildings)

ELF UK 12¼pc Uns Loan Stock 1991 (Oil and Gas)

Kingsley and Forester Group (Textiles)

Trans World Corporation (Americans)

Wardle Storeys (Chemicals)

* * *

Pavilion Leisure Holdings, Glasgow-based theatre proprietor, reduced trading losses from £34,939 to £16,185 in the six months to April 30, 1984, after higher interest charges of £16,232 against £13,014.

Turnover came to £77,238 (£326,935). The loss per share on paid up capital was reduced from 3p to 1.5p.

* * *

Sutcliffe, Speakman, engineer, incurred higher pre-tax losses of £220,000 for the half year to September 30 1984, against £104,000 last time. Turnover was up from £2.75m to £3.88m.

Mr A. J. Wheway, chairman, says that although the second half will show an improvement on the first, the outcome for the year will be disappointing. There is no interim dividend (same).

* * *

Pre-tax profits of **Euston Centre Properties** amounted to £3.11m against £3.14m for the six months to the end of September 1984. Negotiations are continuing on the Euston Tower and the directors say results will show a substantial increase in rent receivable. "A" shares are all held by Stock Conversion and "B" shares by British Land.

* * *

Pre-tax profits at **George Blair**, engineer and steel founder, more than doubled from £52,000 to £111,000 in the 26 weeks to September 29 1984. Turnover of this unquoted company, based in Newcastle-upon-Tyne, improved from £5.91m to £7.35m.

Trading profit was higher at £238,000 against £190,000, severance payments were down from £12,000 to £5,000 and interest payable was little changed at £122,000 (£126,000). There was again no tax charge.

The directors say the increase in turnover was wholly accounted for by exports which were £2.6m, compared with £1.1m. They say there has been a slight improvement in trading conditions in the industry both in the UK and overseas, and this is reflected in the company's business.

New products are beginning to gain market acceptances and the benefits should be felt in the future.

* * *

D. F. Bevan (Holdings) has returned unchanged taxable profits of £129,000, against £127,000, for the six months to end-September 1984.

The result was attained on turnover ahead by £1.77m to £8.94m and was struck after interest payable of £161,000 compared with £152,000. Bevan is engaged in metal merchanting, castings and general engineering, and steel stockholding.

An unchanged 0.25p interim dividend has been declared. Earnings are as stated as 1.26p (1.52p) per 5p share, after tax of £30,000 (£7,000).

* * *

At the end of 1984 net assets of **Electra Investment Trust** totalled £222.3m, against £195.38m at the previous March 31, the financial year-end.

The value attributable to the ordinary worked out at 149.54p per share, compared with 131.44p.

* * *

Camford Engineering is lifting its dividend from 0.35p to 1.05p net, on the back of an increase in pre-tax profits from £623,000 to £1.06m in the year to September 30 1984. Turnover rose to £40.69m, against £37.87m.

Stated earnings per 25p share were 5.33p (3.29p) after tax of £78,000 (£27,000). Extraordinary credits came to £335,000 (£89,000 debits).

* * *

Another satisfactory year is seen by the directors of **Hill & Smith Holdings** following record pre-tax profits of £1.44m, against £1.01m for the year to the end of September 1984.

Turnover in the first quarter of the current financial year shows a "slight improvement."

The net final dividend has been lifted from the equivalent of 2.27p to 2.675p. This in effect raises the total from 3.18p to 3.675p. A further one-for-10 scrip is proposed. For the year, net earnings per 25p share are shown as 12.64p (7.56p).

* * *

McKay Securities, property investor and developer, achieved taxable profits of £1.18m, against £1.09m, in the six months to end-September 1984.

Gross rents and service charges receivable amounted to £2.09m (£1.92m). Direct property outgoings totalled £603,000 (£572,000), administration and other expenses were £264,000 (£214,000), and net interest payable was £87,000 (£70,000).

The interim dividend has in effect been lifted from 1.27p to 1.55p. Earnings on the ordinary shares are shown as 5.2p (3.9p). Tax charge was £432,000 (£547,000) and interest and outgoings on properties in course of development, net of tax relief, took £179,000 (£133,000).

* * *

Energy Capital, which has interests in oil and gas exploration and production and uranium mine development, incurred a pre-tax loss of £499,000 for the three months to March 31 1984. This meant the deficit for the 15 months' period to end that date reached £556,000, albeit lower than the previous year's £822,000.

Losses were struck after exceptional debits of £453,000 (£599,000). Tax was £122,000 (£45,000) and stated loss per 12.5p share came to 8.06p (11.8p). There is no dividend (same).

* * *

Turnover of **Kenyon Securities**, which supplies funeral and ancillary services, rose from £1.59m to £1.94m for the half-year to September 30 1984, and pre-tax profits were £37,000 higher at £187,000.

The directors of the USM company believe the results reflect the success of its competitive services, together with its policy of expansion through acquisitions.

After tax of £84,000 (£71,000) stated earnings per 25p share were 7p (7.2p). The net interim dividend is unchanged at 3.125p.

* * *

Metal Sciences (Holdings), a USM company, will need additional funds to finance increased production. The directors say that as a developing enterprise, the reported pre-tax loss of £269,049 (£157,229) for the six months to August 31 1984, represents the costs incurred in establishing group operations.

The company still expects to meet its target for 1985-86, as set out in the prospectus.

Interest received was down sharply to £20,225 (£106,575). Losses per 2.5p share were up from 0.73p to 1.24p.

* * *

Alfred McAlpine & Son, the 70 per cent owned South African mining subsidiary of the UK Marchwiel construction group, is raising its dividend from 24 cents to 27 cents for the year ended October 31 1984, with a final up 3 cents to 19 cents.

From a turnover up by R4.59m to R24.48m, the operating profit rose R32,000 to R1.43m, and share of the associate almost doubled to R8.55m. This time there is a R564,000 unrealised loss on foreign investment, to leave the pre-tax profit R3.6m higher at R8.87m.

After tax R4.69m (R2.9m) the net profit is R4.18m (R2.36m), for earnings of 41.8 cents (23.6 cents) per share.

* * *

Share dealings in **Lyle Shipping** were suspended at its request yesterday morning as the lossmaking Glasgow shipping group neared completion on a package of refinancing proposals which will involve a rights issue.

Talks have been under way since last October aimed at reducing group debt. The 15p suspension price for the shares values Lyle at just 1.5m, and compares with a 1984 peak of 112p.

The suspension is to allow Lyle to complete underwriting arrangements. Documents containing the proposals are due to be sent to shareholders on Thursday.

* * *

H. J. Baldwin, the Nottinghamshire-based clay and concrete manufacturer, attained first half taxable profits of £46,000, against £53,000, on turnover of £1.26m compared with £1.31m.

Tax for the six months to end-October 1984 was £21,000 (£18,000). Earnings per 10p share were stated at 0.58p (0.71p).

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

European small business

Still a way to go

SMALL BUSINESSES throughout Europe — with one or two exceptions — have found thet the political and economic climate bas changed dramatically in their fevour in recent years.

Yet the change bas been patchy, and significant obstacles to the ability of small businesses to raise capital remain to be cleared in many countries — a process which would be made easier by e wider dissemination throughout Europe of how each country attempts to foster entrepreneurs.

That was the broad conclusion of a conference near Brussels last week attended by around 65 European employers, bankers and academics. It was organised by the Union of Industries of the European Community (UNICE), which inclndes the Confederation of British Industry and its continental counterparts among its members and wil be making an initial report on the conferenco's findings to the European Parliament aarly next month.

The conference considered how three fictional small companies would have fared in raising finance in different Eoropean countries. The propositions included e fast-growing service industry with few asets but exciting growth prospects, a manufacturing group with valuable assets but e atagnant future, and a start-up venture planning to make consumer durables in e quickly expanding market.

Revealingly, most bankers egred that they would have been heppiest lending to the long-established manufacturing group.

They felt less certain abont lending to the fast-growing service industry, which could only base its proposal on the quality of its management and future earnings potential. Not surprisingly, the start-up company would bave had far more difficulty in raising a bank loan.

It would have had to tap a number of sources epart from banks, using — to varying degress — e package of loans, equity and grants. Countries with more developed venture capital markets like Britain, the Netherlands and Denmark, would have produced ready sources of equity finance, while regional development funds provided the answer in Finland and Sweden.

The speed at which the venture capital industry has grown was highlighted by Robert Ceurvorst, Secretary General of the European Venture Capital Association, wbo totd the conference that the pol of private risk equity evailable to small companies in the European Community had multiplied by an estimated two and e half to threa times since 1983. At that time, Europe's venture capital companies had raised a total of $1.6bn, of which just $174m was invested.

Echoing an increasingly widespread concern among venture capitalists, Ceurvorst said: "There is more money than projects to invest in." That was partly because venture capital investors were highly selective, but more action by governments was still required to encourage young enterprises to emerge in Europe.

"The social safety net in Europe has created an environment where risk-taking has become rather unattractive. It bas also raised the cost of employment to uncompetitive levels compared with other parts of the world," warned Ceurvorst.

In parallel with the growth of private venture capital has been the expansion of secondary stock markets throughout Europe. The last four years have seen the arrival of London's Unlisted Securities Market and small equivalents in France, Sweden, the Netherlands, West Germany and Spain, to be joined next month by Finland.

If the conference underlined the similarities of apnroach to small businesses in Europe, it also drew out some marked differences. Government granst for manufacturing equipment, for instance, ranged from 60 per cent of total cost in the Irish Republic to 50 per cent in Sweden and only 15 per cent in tbe UK. Meanwhile, the effective tax rate for a sole trader making the equivalent of £25,000 before tax annually ranged from 17 per cent in France to 48 per cent in Belgium.

Clearly, Europe is as fragmented over the way in wbich it handles small businesses as it is over everything else. However, the Community's employers did show firm evidence last week of a consensus on one thing. As Ceurvorst put it: "Neither government nor the large traditional employers in the mature industries will be able to provide the new jobs which are urgently required. Job creation will be left tn the smaller enterpries."

Brian Mott: bought out his franchise

How Brian Mott found enlightenment

William Dawkins on the funding of AGL

TEN YEARS ego, Brian Mott was e frustrated Britisb Leyland marketing manager.

Tbanks to a combination of luck, good judgment and opportunism, be is now the owner of e £500,000 turnover per year laser lighting bsiness. Mott, 42, is also an example of the fect that it is possible—at least for some companies—to find e way through the much-veunted "funding gap," despite growing complaints from entrepreneurs that lt is well-nigh impossible to raise equity finance on e very small scale.

Clearing banks—not surprisingly the first source of contact for small businesses in search of cash—bave generally bean slower than other funding institutions to offer small amounts of equity because such deals are costly to administrate and far removed from their traditional lending activities.

eYt companies like Mott'a AGL Ltd of Basingstoke badly need equity backing ln their early years because it belps to reduce the impact of borrowing costs et a stage in the venture's development when it is et its most vulnerable to interest rate rises. Moreover, equity can prove invaluable as collatnral for raising loans.

With the aid of £30,000 eqity injection from Midland Bank Venture Capital, part of Midland's equity arm, Mott was able four years ago to acquire the franchise for his business assembling laser driven levelling machines for thet construction trade for £52,000. The balance was made up from e bank loan, e second mortgage on Mott's bome, and his nwn savings.

Mott's former parent company, AGL Corporstion of Arkansas, supplies him with components for the machine, which uses laser beams to check levels and planes more acurately and cheaply than e conventional theodolite.

Brain Warnes, wbo set up MBVC in 1979, says the bank's venture capital arm is prepared to provida as little as £5,000 in individual equity deals. But in practice, the smallest investment in MBVC's £5m portfoliu of 50 companies is £20,000. Ilis justification for accepting deals whicb nther groups might turn eway as being too small to be economic is that they are e way of supporting ventures that should become important lending customers for the clearing banks in the future, quite apart from being—ideally at any rate—profitable investments in their own right.

MBVC is even prepared to do little more than cover its costs in the first year of an investment, so long as it is convinced that the venture will later become profitable both for itself and the clearing bank. It argues that its venture capital portfolio is larga enough for the companies which do not perform in their first few years—a philosophy, incidentally shared by the UK's biggest venture capital investor, ICFC.

By insisting on monthly management accounts from its clients, MBVC aims to spot possible hiccups early. Indeed, Mott sought MBVC's advice on how to avert a near crisis at AGL Ltd last year, when profits almost vanished thanks to an unsuccessful experiment in taking on bulk orders at a discount.

Mott's nwn management background is, to say the least, unusual. He left his local grammar school having failed five "O" levels at the age of 16 to take e series of clerking jobs we were withdrawing everywith construction companies. He eventually joined the plant hire arm of Aveling Barford, the construction equipment company which used to be part of BL until a U.S. lawyer bought it for an undisclosed sum in 1983.

By the early 1970s, Mott had worked his way up from a clerk to being a marketing manager at AB Hire. BL was at the time trying to expand its construction division, and detailed Mott to search Europe for new products. He stumbled across tha AGL Corporation's West German dealer and was on the point of setting up a joint venture with BL, when the 1974 oil crisis forced the motor group to shelve its expansion plans.

"It was frustrating having to explain to al lour contacts that thing," recalls Mott. However, AGL Corporation had been tmpressed by Mott, and asked if he was interested in distribnting its beam machine in Europe from e UK office. "The gambla was whether to leave a secure jo band start up with a product that was unknown in this country and could fall flat after six months," be says.

But within six years, Mott and his three employees (be now employs nine) had made AGL Corporation the leader in the £2m to £3m UK market for its machines, as well as number one tn France and Scandinevia. The contacts be bad made at AB Hire were invaluable.

The parent company was beginning to feel the effects of the recession in the U.S. construction industry by the end of 1980, and Mott was itching for independence.

AGL Corporation seemed ready to accept Mott's offer, but his former clearing bank told him it could take up to six months to arrange finance under the Government's Loan Guarantee Scheme. "I felt thet if we didn't close this deal within weeks, we'd lose it," says Mott.

Eventually, Midland erranged its equity deal, in return for which MBVC got e 30 per cent staka in AGL Ltd, in around threa months. Since then, bowever, it bas not all been plain sailing for Mott. Profits and turnover were static ln the three years to 1983, and AGL Ltd only just broke even in tha 12 months to last November.

No sooner bad the UK construction industry sunk into its own severe recession tbsn the dollar's rise began to drive up the costs of Mott's U.S. supplied components. Meanwhile, AGL Corporation's largest U.S. competitor, Spectra Physics, began to cut lts own prices, sucking Mott into the discounting game.

Mott admits he made a mistake last year by accepting several bulk orders at low prices in an attempt to claw back the market share be was losing to pectra. But last November, he abruptly changed tack—with the blessing of MBVC—abandoned his old method of selling through dealers and recruited a direct sales team.

Turnover is slipping as AGL Ltd has begun to turn away less profitabla business, but in the two months since its switch to direct seles, the percentage return on sales has risen more than threefold.

It is still too soon to say for certain whether Mott's change of direction has worked, but without the close involvement of an experienced equity partner, his path to fortune might well have been even less smooth.

The choice of quotation should suit the customer

The HOW TO of...

EXPORT PRICING

A RECENT survey suggested that sales to Europe were being lost because even experienced exporters were not quoting door-to-door prices. The point is that the German buyer of supposedly cheap British widgets does not want suddenly to discover thet the price be bas agreed will only get the goods as far as Hull or Hamburg.

Export sales—like any others—must be looked at through the buyer's eyes—not the seller's. However more convenient it is to the seller to send goods "free on board" (FOB)—wbere, once the goods have been loaded on to ship nr plane, that is the end of the seller's responsibility—it is the customer's convenience that counts.

With FOB, the price the seller quotes only covers getting the goods to the port of shipment. Freigbt and insurance from there on is down to the buyer. This is similar to another nld-established method, CIF, which means "cost, insurance and freigbt." This sees tbe buyer picking np transportation and other costs from the port of destination.

This is inappropriate to these days of a European "home" market, easily reached by roll-on, roll-off sea transport. If you offer door-to-door prices to UK customers, you should offer them in Europe at teast.

This may not necessarily mean that the eventual deal will not be on an FOB or CIF basis, since the various methods could produce e wide range of prices because of currency considerations. You must think about these very carefully.

For example, if you quote door-to-dor in the buyer's own currency, then you will have to bear currency losses that may ensue during the course ef the contract. You should therefore load your prices to cover the risk. This could lead to an FOB or CIF approach working out cheaper to the customer. If this will increase your sales through improving your competitiveness, you could then give the customer a choico of door-to-door, FOB or CIF.

Some customers may wish to contract in sterling. They may have pounds to spend or believe sterling will depreciate against their own currency during the life of the contract, making the price cheaper to them, tbough unchanged as far as the exporter is concerned. Such arrangeents should be best all round, but ay only be worthwhile to someone buying a lot of goods.

The exporter's best approach is to find out what the custoer wants and consult the bank, especially since help might be needed in financing export sales. It is good practice, for instance, to print on export invoices the bank's nae, address and sort code number, together with your own account name and number.

If you want to do n lot of exporting it may well pay to open an account at a large city centre branch with an international department staffed by specialists. Generally, there should be no difficulty about trade in Europe or other Western countries, but tha bank wil know the drill on assessing credit-worihiness of possible customers everywbere and the best way of getting paid.

This is important when it comes to arranging payment via international banking mechanisms such as Letters of Credit or Bills of Exchange. In some markets, you may only be able to insure sales through the Government's Export Credit Guarantee Department by adopting such procedures. This rigmarote protects yon: remember, your customer's cheqnes may be worthless if they contravene local exchange controls.

Ian Hamilton Fazey

A booklet containing oll Ion Homilton Fazey's "How to ..." articles will be published in February after the series has ended. Inquiries regording bulk orders should be made to Nicola Banham, Publicity Department, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. Single copies will cost £3.75.

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For further information please contact:

Fred Marks Esq.
Peat, Marwick, Mitchell & Co.
Kingswood House
Pelham Road
Nottingham NG5 1AP
Telephone: (0602) 625011

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Further details from the joint receiver and manager T. R. Harris FCA, at Deloitte Haskins & Sells, Wheatsheaf House, 24 Bernard Street, Southampton SO9 1QL or at the address below.

Deloitte Haskins+Sells
128 Queen Victoria Street, London EC4P 4JX

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Gutter Lane
Cheapside
London EC2V 8AH

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SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Tuesday January 29 1985

Interest rate increase prompts copper downturn, Page 34

WALL STREET

Setback for newly found confidence

THE *newly found confidence* on Wall Street received a jolt yesterday with a press report that Mr Preston Martin, vice-chairman at the Federal Reserve, had reversed his stance on the Fed's credit policies, *writes Terry Byland in New York.*

Early gains in the stock market were replaced with losses after Mr Martin was quoted as saying he was "beginning to move" in favour of a tightening of credit.

The market soon steadied, however, helped by Dr Henry Kaufman, chief economist at Salomon Bros, who in comments to bankers in New York discounted the likelihood of a Fed tightening.

Stock prices had moved strongly upwards in early trading, taking the Dow Jones industrial average up 8 points and within 4 points of its all-time high. The advance was quickly reversed, however, as first reports of Mr Martin'a words reached Wall Street, taking the Dow almost 6 points lower during the early afternoon.

By 3pm, the Dow index was down 1.77 at 1,274.29.

Early optimism on the outlook for U.S. inflation was encouraged by speculation that the meeting of Opec ministers would prove unable to prevent further falls in world oil prices. On the domestic front, this week will bring a batch of significant economic data which the market hopes will confirm the renewed vigour of the economy.

Once again, activity in Treasury bond futures, lifting the current contract by nearly balf a point, started an upturn in the casb market for Treasury bonds.

A sharp drop in oil futures also affected stocks, weakening oil shares at first. Exxon recovered to show a net gain of $⅛ to $46⅛ hut Atlantic Richfield at $43½ lost $⅝ and Chevron dipped $¼ to $31⅛. In reduced turnover, Phillips Petroleum dipped $ ⅞ to $47¼ as the market awaited the next move by Mr Irving Jacobs, the Minneapolis entrepreneur who last week bought a substantial stake in the oil company.

Among industrial stocks to lose much of their initial gains were IBM, $⅛ up at $133⅝, in beavy turnover. Honeywell was unchanged at $60⅝, and a gain in Burroughs was cut to only $¼, putting the stock at $62¼.

At&T topped the active list, with the stock $½ off at $21¼ after its trading results. Bell South added $¼ to $34, also after trading figures.

The Detroit car makers turned down when the market weakened. General Motors replaced a $⅜ gain with a $½ fall to $83¼ and Ford tumbled $1¼ to $48¼ as it launched two new models.

Airline stocks weakened on reports that fare discounting has boosted orders but may hurt profits. American lost $⅝ to $36¼ and United $1⅛ to $46⅝.

The flow of corporate results increased. Celanese lost $1⅛ to $88¾ after *disclosing* a *slowdown* in the *final* quarter of last year. Other Chemical groups were unaffected. Union Carbide added $½ to $37⅛ after its profits statement, which included an $18m charge related to the Bhopal tragedy. Higher profits put $½ on W. R. Grace at $42⅛.

Among the food companies Nabisco Brands at $51¼ and Consolidated Foods at $32 gained $½ after results.

McDonald's, the hamburger king, gained $¾ to $58⅞ on results.

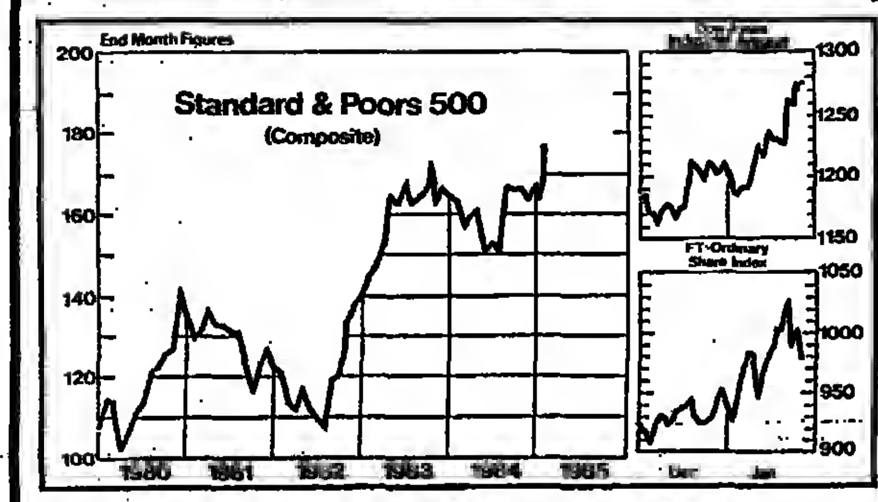
Paper industry companies also opened the reporting season. A downturn in sales took $1 off Mead Corporation at $37⅛, but Consolidated Papers which concentrates on fine paper production, added $⅛ to $39½ after a successful second quarter.

James River, warning of lower earnings ahead, slumped $3 to $29⅛ but Compugraphic gained $1¼ to $32 *after disclosing* higher profits. Southdown was also firm, $⅝ up at $45⅞ on increased earnings. Cox Communications jumped $1½ to $55½ in response to higher profits.

Black & Decker, at $25⅝, and IC Industries at $31 eased slightly after profits statements. Pabst, the brewer, gained $¼ to $10, in line with the tender offer by S & P Industries.

The bond market lost its early gains as the federal funds rate traded higher, despite $2bn in customer repurchase arrangements by the Fed, when the rate stood at 8½ per cent. The price of the key long bond stood unchanged at 104²⁹⁄₃₂. Money market and other short-term rates edged higher.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Jan 28	Previous	Year ago
NEW YORK			
DJ Industrials	1,274.29*	1,276.06	1,230.0
DJ Transport	606.96*	603.73	567.15
DJ Utilities	148.24*	148.18	132.66
S&P Composite	117.03*	177.35	163.94
LONDON			
FT Ord	977.9	1,002.8	832.2
FT-SE 100	1,265.8	1,238.0	1,075.9
FT-A All-share	608.62	620.2	504.11
FT-A 500	666.55	680.21	538.41
FT Gold mines	440.3	439.5	534.3
FT-A Long gilt	10.99	10.84	10.88
TOKYO			
Nikkei-Dow	11,798.86	11,785.1	10,180.90
Tokyo SE	919.23	921.72	773.17
AUSTRALIA			
All Ord.	closed	754.8	765.7
Metals & Mins.	closed	429.2	517.3
AUSTRIA			
Credit Aktien	58.69	58.46	55.63
BELGIUM			
Belgian SE	2,123.22	2,126.04	–
CANADA			
Toronto			
Metals & Minls	2,154.4*	2,145.3	2,337.0
Composite	2,558.0*	2,547.8	2,504.3
Montreal			
Portfolio	129.23*	128.40	121.78
DENMARK			
Copenhagen SE	171.37	169.87	221.43
FRANCE			
CAC Gen	196.0	195.2	170.1
Ind. Tendance	107.2	106.9	92.5
WEST GERMANY			
FAZ-Aktien	392.30	390.17	365.99
Commerzbank	1,141.5	1,139.3	1,082.2
HONG KONG			
Hang Seng	1,374.89	1,373.91	1,055.37
ITALY			
Banca Comm.	256.07	254.81	219.55
NETHERLANDS			
ANP-CBS Gen	194.9	195.5	175.5
ANP-CBS Ind	156.3	156.6	144.4
NORWAY			
Oslo SE	317.74	318.57	247.48
SINGAPORE			
Straits Times	794.64	776.19	1,051.57
SOUTH AFRICA			
Golds	n/a	962.3	809.0
Industrials	n/a	893.0	965.1
SPAIN			
Madrid SE	112.53	110.63	77.72
SWEDEN			
J & P	1,433.68	1,411.57	1,549.46
SWITZERLAND			
Swiss Bank Ind	411.2	409.8	380.7
WORLD	Jan 25	Prev	Year ago
Capital Int'l	194.7	194.3	185.5

GOLD (per ounce)

	Jan 28	Prev
London	$298.00	$300.00
Zürich	$297.90	$299.00
Paris (fixing)	$298.99	$299.66
Luxembourg	$299.60	$299.45
New York (Feb)	$302.90*	$300.40

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Jan 28	U.S. DOLLAR Previous	STERLING Jan 28	STERLING Previous
$	–	–	1.111	1.1105
DM	3.167	3.166	3.5175	3.52
Yen	254.15	253.9	282.5	282.0
FFr	9.68	9.6825	10.7625	10.755
SwFr	2.662	2.661	2.9575	2.9575
Guilder	3.58	3.5785	3.98	3.9775
Lira	1,951.0	1,950.0	2,167.0	2,167.5
BFr	63.35	63.35	70.4	70.35
C$	1.32625	1.32515	1.473	1.4745

INTEREST RATES

	Jan 28	Prev
Euro-currencies (3-month offered rate)		
£	14 1/16	12⅞
SwFr	5 7/16	5⅜
DM	5 13/16	5¾
FFr	10 11/16	10 11/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 9/16	8 9/16
6-month U.S.$	8¾	8¾
U.S. Fed Funds	8 5/16*	8½
U.S. 3-month CDs	8.10*	8.1
U.S. 3-month T-bills	7.94*	7.63

U.S BONDS

	Price	Yield	Prev Price	Prev Yield
Treasury				
9⅜ 1987	99	9.80	100	9.75
11⅝ 1992	102 20/32	11.0	103 10/32	10.94
11⅝ 1994	102 26/32	11.13	103 18/32	10.94
11¾ 2014	104 14/32	11.20	104 24/32	11.17
Corporate	Jan 28*		Prev	
AT & T				
10⅜ June 1990	96⅜	11.20	96⅜	11.20
3⅞ July 1990	75	10.00	75	10.00
8¾ May 2000	77⅞	12.00	77⅞	12.00
Xerox				
10⅜ March 1993	95⅜	11.45	95⅜	11.45
Diamond Shamrock				
10⅜ May 1993	95⅝	11.50	95⅝	11.50
Federated Dept Stores				
10⅜ May 2013	87	12.70	87	12.70
Abbot Lab				
11.80 Feb 2013	98⅜	11.95	98⅜	11.95
Alcoa				
12¼ Dec 2012	98⅜	12.40	98⅜	12.40

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	73–11	73–25	73–05	73–11
U.S. Treasury Bills (IMM) $1m points of 100%				
March	92.10	92.17	92.10	92.15
Certificates of Deposit (IMM) $1m points of 100%				
March	91.54	91.81	91.53	91.61
LONDON				
Three-month Eurodollar $1m points of 100%				
March	91.27	91.30	91.21	91.32
20-year Notional Gilt £50,000 32nds of 100%				
March	101–22	103–01	100–24	103–24

COMMODITIES

(London)	Jan 28	Prev
Silver (spot fixing)	534.20p	530.90p
Copper (cash)	£1,232.50	£1,244.00
Coffee (Mar)	£2,407.50	£2,409.00
Oil (spot Arabian Light)	$27.65	$27.65

TOKYO

Blue chips neglected in rally

THE FIRST rally in six sessions was seen in Tokyo yesterday as investors showed interest in low-priced, incentive-backed stocks and biotechnology issues, *writes Shigeo Nishiwaki of Jiji Press.*

Sony and Pioneer scored sharp gains, but other blue chips were neglected throughout the somewhat lacklustre trading session.

The Nikkei-Dow market average gained 62.33 from Saturday to 11,798.86, on volume of 356m shares. But declines outnumbered gains 384 to 307, with 151 issues unchanged.

The Nikkei-Dow hit a record high of 11,964.52 on January 21, but shed 228 points during the following five sessions prompting yesterday's bargain hunting.

Biotechnology-related issues, which had been sougbt last week, remained popular yesterday. Kuraray soared Y90 to an all-time high of Y1,130 on the day's heaviest trading of 34.5m shares. Fujisawa Pharmaceutical, second most active with 15.5m shares, surged Y120 to Y1,270, while Asahi Chemical added Y30 to Y680.

Australian stock exchanges were closed yesterday for a market boliday

Yamanouchi Pharmaceutical, which bad led the advance of biotechnology stocks last week, gained Y160 in the morning but closed Y40 lower at Y3,520 on profit-taking. Other leaders also dropped, with Sankyo losing Y30 to Y1,160 and Taisho Pharmaceutical shedding Y70 to Y1,110.

Semiconductor-related issues remained popular. Osaka Transformer went up Y49 to Y599, and Nippon Gakki rose Y50 to a record Y1,850.

Cash-traded stocks were favoured against a background of tigbtened regulations on margin transactions. Mitsui Sugar finished at Y480, up Y48, on the fourth heaviest trading of 10.8m shares, and Toyo Sugar Refining jumped Y80 to Y283.

Sony advanced Y150 to Y4,000, apparently because investors expected 8mm video camera/recorder demand to expand. Pioneer rose Y220 to Y3,170, while Honda Motor added Y40 to Y1,450. Konishiroku Photo Industry gained Y8 to Y728, reflecting a decline in the price of silver.

Hopes of a further drop in U.S. interest rates caused institutional investors to begin bond buying again, firming prices. Buying by a leading trust bank of Y50bn worth of bonds with about nine years remaining to maturity also enlivened the market.

The yield on the benchmark 7.3 per cent government bonds due in December 1993 dropped to 6.460 per cent, from Saturday's 6.475 per cent.

SINGAPORE

BANKS and blue chips proved the most sought-after issues in heavy Singapore trading that took the Straits Times Industrial index up 18.45 to 794.64, its largest one-day gain in nearly six months.

Overseas buying was detected and focused on a large number of small speculative stocks.

DBS, 35 cents higher at S$6.00, led the financial sector, while Malayan Banking scored a 30-cent gain to S$5.90. OCBC managed a 25-cent jump to S$8.90 and OUB advanced 14 cents to S$3.90.

Singapore Paper Products most active with 989,000 shares traded, finished 13 cents up at S$1.05, while Federal Cables, also heavily traded, gained 5 cents to S$1.45.

In properties Singapore Land soared 20 cents to S$2.91 and Selangor gained 11 cents to S$2.06. Elsewhere, Singapore Press rose 20 cents to S$6.55 and Straits Trading rose 10 cents to S$4.40.

EUROPE

New Swiss peaks are scaled

A CONSOLIDATION phase took hold in many European centres yesterday after the hectic pace of trading last week, but in Switzerland new peaks continued to be scaled.

Foreign demand in Zurich again belped to buoy the Swiss Bank industrial index, up 1.4 to a record 411.20.

Banks, which carry a heavy weighting in the stock indices, posted broad gains, while industrials firmed on a more selective basis.

Among leading sbares, Nestlé rose SwFr 65 to SwFr 5,990 as the company announced higher group turnover for 1984 and forecast that net profit will have grown slightly faster than sales.

Bank Leu found good demand adding SwFr 50 to SwFr 3,770 ahead of 1984 results due on Thursday. Among industrials, Brown Boveri put on SwFr 50 to SwFr 3,620 and George Fischer added SwFr 8 to SwFr 695.

Bond prices consolidated their recent levels as the dollar's underlying strength and diminished bopes of a further decline in interest rates continued to weigh on the market.

Renewed speculation in **Frankfurt** about rises in Lombard and discount rates when the Bundesbank council meets on Thursday provided a restraint to trading. Even so, the Commerzbank index managed a 2.2 rise to 1,141.5.

Among biue chips, Siemens gained DM 1.30 to DM 496.50 as it sold off 60 per cent of its stake in Polygram, the records company, to Philips of the Netherlands.

In the steels sector, Klöckner-Werke added 40 pfg to DM 74.90 after approval was given for its merger with Krupp and the Australian CRA group.

Hoesch added DM 1.40 to DM 103.40 as it announced a DM 80m order to supply steel pipe to Czechoslovakia.

Banks were mostly little changed, altbough BHF Bank shed DM 2.50 to DM 289.50 as it announced plans to raise its capital through a one-for-eigbt rights issue at DM 195 next month.

Bond prices eased as fears of higher domestic interest rates were reawakened. The Bundesbank bought a small DM 7.9m of paper after sales totalling DM 33.6m last Friday.

In **Brussels**, gains in utilities and the industrial sector were offset by declines in Petrofina, UCB and Groupe Bruxelles Lambert (GBL).

Petrofina shed BFr 100 to BFr 6,580 amid nerves over the outlook for oil prices. The group is also expected to announce its proposed dividend for 1984 on Friday.

GBL, the investment bank, declined BFr 25 to BFr 1,995 after reports that it is negotiating to take a controlling stake in Henry Ansbacber Holdings, the London merchant banking group in which it already bas a 29.9 per cent interest.

The continuing disarray at the Opec meeting in Geneva unsettled Amsterdam, and selling pressure from the UK hrought some sharp losses for selected issues, although turnover was light.

Akzo fell Fl 1.10 to Fl 102.10 ahead of its 1984 results and dividend, expected today. Royal Dutch was 80 cents cheaper at Fl 182.50 on oil price worries. Philips eased 20 cents to Fl 59.20.

Steelmaker Hoogovens dipped 20 cents to Fl 63.20 as it announced that the first part of its 1985 investment plan, totalling around Fl 573m, had been approved by the supervisory board.

Bond prices edged lower in small turnover as the market adjusted to the weakness on the West German bond markets.

Paris consolidated last week's gains in active trading, reinforced by Friday's performance on Wall Street, but price movements were narrow.

A wave of buying interest enabled **Milan** to recoup some of the losses seen last week while the bond market was mixed. **Madrid** also advanced taking the SE index up 1.9 to a new high of 112.53.

Stockholm was firm with advances posted by most blue chips. **Oslo** eased with Norsk Data down NKr 5.50 to NKr 402.50 as the computer maker announced sharply higher pre-tax profits.

HONG KONG

THE BOOST offered by a cut in local interest rates proved sbort-lived in Hong Kong as most sbares were left unchanged in heavy trading and the Hang Seng index closed 0.98 up at 1,374.89.

Utilities moved against the trend, with Hongkong Electric 5 cents stronger at HK$8.05, a new high for the year, while Hongkong Telephone touched a new 12-month peak by adding HK$1 to HK$61.50.

Elsewhere, Hutchison Whampoa and Swire Pacific each shed 20 cents to HK$20.40 and HK$25.00 respectively. Banks were narrowly mixed, althougb Bank of East Asia rose 30 cents to HK$24.70 and Hang Seng Bank added 25 cents to HK$47.00.

CANADA

THE WEAKER bullion price undermined gold shares in Toronto, although base metal miner and hydrocarbons-related issues were higher.

Campbell Red Lake traded C$½ off at C$22 and Dome Mines was C$⅜ lower at C$9¼. Falconbridge gained C$1½ to C$91½ after Friday's announcement of a return to profit.

Industrials and utilities moved ahead in Montreal as banks made steady progress.

LONDON

Rates spiral triggers despondency

SPIRALLING interest rates brougbt a wave of despondency to London stock markets yesterday. Shortly after midday and immediately after another unexpected sharp rise of two percentage points to 14 per cent in bank base rates – the third increase since January 11 – markets sustained one of the worst slides on record. Government stocks dropped four points and the FT Ordinary index fell 43 points, or 4.4 per cent.

Once again, sterling was the root cause of the trouble. Its resumed weakness *during* the weekend *international* currency markets continued in London yesterday amid confusion over the current Opec conference. UK money market rates consequently came under fresh pressure.

Dealings in gilts were immediately suspended for fifty minutes, but leading shares tumbled on aggressive liquidation just as they were recovering from an earlier wave of selling. Many blue chips finally balved their earlier losses and the FT Ordinary share index closed a net 24.9 down at 977.9.

Gilts rallied towards the close and eventually the hardest hit stocks, medium life maturities, reduced their losses from 4 to 2¾ points. Short-dated stocks performed likewise to end similarly lower, while index-linked gilts finally settled around nearly two points down on balance.

Chief price changes, Page 28; Details, Page 29; Share information service, Pages 30-31.

SOUTH AFRICA

THE SHARP improvement in the rand forced gold and other mining shares *lower* in Johannesburg.

Underlying the setback was a general feeling that the South African Reserve Bank migbt soon force the mining houses to accept a portion of their revenue from gold sales in rands instead of dollars. Yesterday the rand gold price fell by about R30. The mining houses currently receive full payment for gold sales in dollars, which have to be converted to rand within seven days.

Declines of R2.50 were recorded by Buffels at R66 and Free State Geduld at R45. Other miners retreated, with diamond share De Beers 37 cents lower at R8.50, and Rustenburg Platinum 80 cents weaker at R16.30.

Industrials were marginally easier. Barlow Rand sbed 60 cents to R9.60 and motor holding group Messina slipped 5 cents to R2.25.

Prices at 3pm, January 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	15⅛	AAR	.48	2.3	18	x41	20⅝	20⅛	20⅝	+½
27½	9⅛	AGS			12	208	18⅝	16⅞	16⅞	+⅛
20⅝	12⅞	AMCA	1	7.5		14	13⅞	13	13⅜	+⅛
17⅞	13⅛	AMF	.50	3.2	66	107	15⅜	15½	15⅝	−⅛
51⅛	49⅝	AMF	pf 5e	9.8		4	51	51	51	
39⅜	24¼	AMR			9	3232	39⅜	38⅝	38¾	−⅛
20⅜	18¼	AMR	pf2.18	11.		1	19⅝	19⅝	19⅝	
36	27½	AMR	pf2.12e	5.5		155	39	38½	38½	
25¼	22⅞	ANR	pf2.67	11.		1	24½	24½	24½	+½
14¼	9⅛	APL			3	35	10⅛	10⅜	10⅜	+¼
69¼	44⅜	ASA	3	6.2		625	48⅝	47⅞	48¼	−⅜
28⅞	16	AVX	.32	1.7	11	372	18⅞	18⅝	18⅞	+⅛
48⅜	36¼	AbtLab	1.20	2.6	14	1996	46	45⅛	45⅞	+⅜
24⅞	16½	AccoWd	s.44	1.8	20	1304	u25	24⅝	25	+⅜
26¼	12½	AcmeC	.40	2.1		344	18⅞	18⅛	18¾	+⅛
12⅞	8¾	AcmeE	.32b	3.2	12	64	9⅝	9⅝	9⅝	+⅜
17⅞	15	AdaEx	2.11e	13.		115	16⅜	16½	16½	+⅜
18⅝	11⅞	AdmMl	.32	1.8	9	71	17⅞	17⅝	17⅞	+⅝
19½	8⅝	AdvSys	.611	8.1	21	358	13⅜	13⅛	13⅛	+⅛
41⅞	25½	AMD			14	1754	35¼	34⅝	34⅞	−⅜
12⅞	8⅜	Advest	.12	1.2		122	10½	10⅜	10⅜	
14⅞	8⅜	Aerflex			13	42	13⅝	13⅛	13⅛	−⅛
39⅜	27⅛	AetnLf	2.64	6.7	33	3221	u39⅞	39	39⅜	+⅛
58⅜	52⅞	AetL	pf5.87e	11		2	55½	55½	55½	+⅜
33⅜	15⅜	Ahmns	1.20	3.9	14	1009	31⅛	30⅝	31⅜	+⅝
4⅞	2⅜	Aileen			29	20	2⅞	2¾	2⅞	
49⅜	36½	AirPrd	1.20	2.5	11	595	48	47⅝	47¾	−⅛
27¾	13	AirbFrt	.60	2.7	12	106	22¼	21½	22⅛	+⅛
2	⅞	AlMoa	s		25	158	1⅞	1¾	1¾	−⅛
7⅞	6	AlaP	dpf.87	12.		57	7⅞	7⅝	7⅝	
72⅞	61½	AlaP	pf 9	13.		z30	71⅝	71⅛	71⅝	
86	68	AlaP	pf6.28	13		z19	65	65	65	−1
13⅞	10⅞	Alagsc	s.92	7.1	8	19	13	12⅞	13	−⅛
18⅞	9¼	AlskAir	.14	.8	9	324	18⅜	18⅜	18½	+⅛
23⅞	15⅜	Alberto	.54	2.3	19	14	23¼	23⅛	23½	−⅛
[illegible]										

B—B—B

C—C—C

D—D—D

E—E—E

F—F—F

G—G—G

H—H—H

I—I—I

J—J—J

K—K—K

L—L—L

M—M—M

N—N—N

Continued on Page 27

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AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, January 28

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 26

Continued on Page 28

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Jan. 28	Price Sch%	+ or —
Creditanstalt	228	+9
Goesser	346	+6
Interunfall	415	......
Laenderbank	626	......
Perlmooser	354	−2
Steyr-Daimler	159	
Veitscher Mag.	275	+4

BELGIUM/LUXEMBOURG

Jan. 28	Price Frs.	+ or —
B.B.L.	1,825	...
Banq. Int. A. Lux	6,560	...
Bekaert B.	4,800	+60
Ciment CBR	2,485	......
Cockerill	235	−4
Delhaize	9,000	...
EBES	2,855	+13
Electrobel	6,100	......
Fabrique Nat	2,090	+10
GB Inno BM	2,975	+15
GBL (Brux)	1,995	−25
Gevaert	3,750	+40
Hoboken	5,700	−900
Intercom	2,145	−5
Kredietbank	7,650	......
Pan Hldgs.	10,300	..
Petrofina	6,580	−100
Royale Belge	10,100	......
Soc. Gen. Banq.	3,250	......
Soc. Gen. Belge	1,800	+20
Sofina	7,150	−30
Solvay	3,855	−45
Stanwick Intl.	1,450	......
Tractionel	3,960	+30
UCB	4,050	−100
Wagon Lits	2,300	xr−50

DENMARK

Jan. 28	Price Kr%	+ or —
Andelsbanken	287	−3
Baltic Skand	600	−5
CopHandelsbank	286	+4
D. Sukkerfab	530	+15
Danske Bank	286	+2
De Danske Luft.	1,120	......
East Asiatic	158	−1
[illegible]	[illegible]	[illegible]

GERMANY

Jan. 28	Price Dm.	+ or —
AEG-Telef	111	−3.2
Allianz Vers.	1065xr	−15
BASF	178.8	−0.4
Bayer	187.6	−0.2
Bayer-Hypo	318.5	−2.5
Bayer-Verein	336	−4
BHF-Bank	289.5	−2.5
BMW	375	+2.5
Brown Boveri	192.5	+0.6
Commerzbank	172.2	−0.8
Cont'l. Gummi	120.7	−1.6
Daimler-Benz	626	−0.5
Degussa	347	......
D'scho Babcock	154.5	−0.5
Deutsche Bank	396.5	
Dresdner Bank	192.5	−0.5
GHH	166.5	......
Hochtief	477	+2
Hoechst	182.8	−0.2
Hoesch Werke	103.4	+1.4
Holzmann (P)	395	−1.5
Horten	176	−1
Hussel	285	−3
Karstadt	231	+3
Kaufhof	818.0	......
KHD	246.8xr	+0.3
Kloeckner	74.9	+0.4
Linde	396	−1.5
Lufthansa	186.5	−1.5
MAN	161	−1.5
Mannesmann	155	+1
Mercedes Hld.	546	+6
Metallgesell	226	+3
Munch Rueck	1280	−60
Nixdorf	530	−1
Porsche	1053	−15
Preussag	245.1	−1.9
Rhein West Elect	165.5	+1
Rosenthal	342	+2
Schering	462	−3
Siemens	496.5	+1.3
Thyssen	90.8	+1.3
Varta	175	−2
Veba	171	+0.3
V.E.W.	123	+0.5
Verein-West	308	−1
Volkswagen	126.5	......

NORWAY

Jan. 28	Price Kroner	+ or —
Bergens Bank	168	......
Borregaard	375	−1
Christiania Bank	161	......
DenNorske Cred	168	
Elkem	136	+4
Kvaerner	181	−3.5
Norsk Data	402.5	−5.5
Norsk Hydro	98.5	−5
Storebrand	230	+5.5

SPAIN

Jan. 28	Price Ptas	+ or —
Bco Bilbao	316	+5
Bco Central	311	+2
Bco Exterior	200	......
Bco Hispano	161	+3
Bco Popular	383	+4
Bco Santander	334	+2
Dragados	169	......
Hidrola	91.3	+2.8
Iberduero	97.2	+4.7
Petroleos	178.5	+8.5
Telefonica	184	+4.3

SWEDEN

Jan. 28	Price Kronor	+ or —
AGA	362	+2
Alfa-Laval	201	......
ASEA (Free)	335	−5
Astra (Free)	415	−6
Atlas Copco	112	+1
Cardo (Free)	280	+5
Cellulosa	134	+3
Electrolux B	365	+5
Ericsson	270	+13
Esselte	315	−6
Mo Och Domsjo	280	+1
Pharmacia	203	+3
Saab Scania Free	450	+5
Sandvik	380	......
Skandia	295	+10
Skan Enskilda	67	+1.5
SKF	180	+3
St Kopparbergs	166	−4
Sven Handelsbn.	189	+2
Swedish Match	251	+1
[illegible]	[illegible]	[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

FRANCE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm January 28

[illegible]

MONTREAL

Closing prices January 25

[illegible]

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

[illegible]

Continued on Page 36

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES		
Gr Cent Inv	31	+2
Kakuzi	105xd	+7½
Norton Opax	125	+10
Pentland Inds.	390	+10
Sainsbury (J.)	334	+18
Silvermines	170	+6
Vibroplant	153	+6
FALLS		
Tr 13¾pc 1990	£102¾	−2¾
Tr 14½% 1994	£111½	−2¾
Tr 2½% IL 2001	£98¼	−1⅛
Allied-Lyons	180	−8
BTR	654	−16
Blue Circle	495	−15
Brit Home St	250	−7
BP	505	−12
Burmah Oil	214	−8
Debenhams	201	−10
GKN	199	−8
Hampton Areas	182	−10
Lucas Inds	272	−11
P&O Defd	398	−12
Plessey	182	−8
Racal Elects.	202xd	−9
Rank Org	310	−10
Reed Int'l.	578	−12
RTZ	632	−11
Shell Trans	707	−10
Tarmac	494	−18
Tate & Lyle	455xd	−12½
United Bis	194	−10

NEW YORK STOCK EXCHANGE PRICES

Continued from Page 27

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AMERICAN STOCK EXCHANGE PRICES

Continued from Page 27

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Higher interest rates demoralise markets but close is well above day's worst

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 14	Jan 24	Jan 25	Feb 4
Jan 28	Feb 7	Feb 8	Feb 18
Feb 11	Feb 21	Feb 22	Mar 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

Spiralling UK interest rates brought a wave of despondency to London stock markets yesterday. Shortly after midday and immediately following another unexpected sharp rise of two percentage points to 14 per cent in bank base rates—the third increase since January 11—markets sustained one of the worst slides on record. Government stocks dropped four points and the FT Ordinary share index fell 43 points, or some 4.4 per cent.

The index fall surpassed all previously recorded losses including the worst-ever 32.8 registered at a special 9.30 am calculation on March 1, 1974, although this was then equivalent to nearly 10 per cent.

Once again, sterling was the root cause of the trouble. Its resumed weakness during the weekend international currency markets continued in London yesterday amid confusion over the current Opec meeting. UK money market rates consequently came under fresh pressure, but at one stage it was hoped that a rise of only one percentage point in base-rates would be sufficient to restore calm. At noon, however, Barclays announced an increase of twice that amount.

Gilt-edged dealings were immediately suspended for 50 minutes, but leading shares tumbled on aggressive liquidation just as they were recovering from an earlier wave of selling. For a while the scene was chaotic with dealers desperately attempting to evade the sales many of which were sell-at-best orders. Slowly the market stabilised and most price falls were reduced by a penny or two. The recovery gained impetus approaching 3.00 pm, the time of U.S. market opening, and continued to gather pace during the after-hours' trade. The net result was that many blue chip issues finally halved their earlier losses and the FT Ordinary share index closed only a net 24.9 down at 977.9.

Forced to re-adjust to even higher levels of interest rates, the market in Gilt-edged and fixed interest stocks took a further beating. Sharp early falls of 2 points were doubled when trading recommenced shortly before 1.00 pm, but short-covering purchases helped to counter some fresh sales. In this area, too, a rally gained momentum towards the close and eventually the hardest hit stocks, medium life maturities, reduced their losses from 4 to 2¾ points. Short-dated stocks performed likewise to end similarly lower, while index-linked Gilts finally settled around nearly two points down on balance.

Midland Dip & Rally

Fears of possible fund-raising unsettled Midland which fell to 334p before closing 5 lower on balance at 340p. Barclays, which initiated the new 14 per cent borrowing rate, also ended 5 off at 620p, after 610p, while NatWest gave up the same amount at 650p.

Double-figure falls were common place in Insurances. General Accident lost 10 to 525p and Sun Alliance fell 15 to 413p. Among Life issues, Equity and Law declined 10 to 223p and Britannic shed 13 to 610p. Against the trend in Lloyds Brokers, Derek Bryant firmed 20 to 395p.

Synapse Computer Services staged an impressive debut in the Unlisted Securities Market despite the surrounding gloom; the shares, placed at 174p, opened at 200p and moved up to 215p prior to closing at 205p for a first-day premium of 31.

Bass plunged to 492p before rallying to finish 8 down on the day at 509p, while Allied Lyons fell 9 to 180p, after 176p. Arthur Guinness cheapened 8½ to 227p xd and Vaux ended the same amount off at 275p. Distillers retreated 9 to 300p, after 296p.

Leading Buildings came under selling pressure and gave considerable ground before staging a minor rally towards the close. Blue Circle fell to 493p prior to settling a net 15 lower at 495p, while Tarmac lost 16 to 494p and RPB Industries shed 10 to 255p. Construction issues were also hard hit with Taylor Woodrow 12 off at 380p and Costain 10 down at 364p. Vibroplant provided an isolated bright spot, rising 8 to 153p in reply to the good interim results.

ICI were only a shade easier at the opening, but quickly retreated to 808p; a subsequent rally on bear closing left the price just 3 cheaper on balance at 825p.

Stores sharply lower

The move towards even dearer credit and the prospect of a rise in mortgage rates hit the Stores sector hard and prompted heavy selling of the leading retailers. Although quotations rallied late, substantial falls were still evident at the close. Woolworth dropped 26 to 607p. Gussies "A" fell 15 to 720p and Burton relinquished 12 at 461p, after 457p. Debenhams ended 10 down on the day at 201p, while British Home gave up 7 to 250p. Secondary issues failed to escape the liquidation. W. H. Smith, recently strong on consortium bid hopes, dropped 14 to 204p, while Dixons lost 20 to 572p, after 565p.

Electricals, still overshadowed by Racal's recent second-half profits warning, soon came under pressure, but most leaders joined in the later rally. Down to 194p at one stage, Racal finished 9 lower at 202p xd, while Plessey ended 8 off at 182p, after 176p. Thorn EMI were 15 cheaper at 435p, after 420p. Wholesale Fittings, still reflecting disappointment with the lower interim figures, met with further selling and fell 25 more to 245p. Bowthorpe, a recent favourite, dipped 20 to 445p, while Cable and Wireless ended 11 off at 514p, after 505p. Amstrad, in contrast, rose 6 to 72p in response to weekend Press mention.

Leading Engineers followed the general trend. Hawker settled 8 down at 431p and GKN a similar amount lower at 199p. Losses in secondary issues were relatively modest, although Babcock International closed 7 cheaper at 163p, after 160p. Reflecting the half-year loss, Neepsend fell 4 to 9p, but sporadic support left Burgess Products up 8 more at 126p. Wheway Watson, helped by recent Press mention, put on 2 to 12½p.

Moving sharply against the trend in Foods, J. Sainsbury attracted renewed U.S. buying and rose 16 to 334p. Hillards shed 10 to 326p on disappointment with the interim results. Elsewhere, bid favourite Tate and Lyle reacted to 448p xd prior to closing a net 12½ down at 455p xd; the group has agreed to acquire Colonial Sugars of Alabama for 318m.

Leading Hotels fluctuated sharply. Grand Metropolitan dipped to 286p before closing 4 cheaper at 293p, but Trusthouse Forte, down to 143p at one stage, rallied strongly to finish a penny better on balance at 152p.

BTR above worst

Leading miscellaneous issues fluctuated quite sharply before settling well above the worst. BTR, sold down to around 640p initially, closed 16 off on balance at 654p, while Beecham ended only 5 cheaper at 380p, after 373p. Glaxo, assisted by late U.S. support, finished a little above the worst with a net fall of ½ at £12. Reed International settled 12 lower at 570p, after 564p, while losses of around 10 were recorded in Hanson Trust, 217p xc, Metal Box, 423p, and Trafalgar House, 364p. Elsewhere, Booker McConnell, a good market last week on hopes that Dee Corporation may renew its bid, fell 9 to 257p. Awaiting today's preliminary figures, Rank Organisation touched 306p before closing 16 off on balance at 310p. Fisons dipped 14 to 298p and Bespak 15 to 232p, while British Aerospace, 363p, and Polly Peck, 230p, gave up 10 apiece. Current takeover favourite LCP met with late U.S. buying and settled 4 lower at 118p, after 116p. Resisting the trend, Pentland advanced 18 to 390p on U.S. expansion hopes, while renewed demand in a thin market lifted Sale Tilney 11 further to 463p. Christie-Tyler, interim results due early next month, also attracted buyers and closed 4 dearer at 46p.

Television issues provided one of the few bright corners in the market. Publicity given to a broker's circular helped Scottish TV A rise 4 to 154p and lifted HTV N/V the same amount to 132p. TV South firmed 3 to 138p in reply to good annual results, while Television Services moved up 10 to 220p on talk of a broker's circular.

The general market weakness combined with news of the management upheaval at the group's electrical division left Lucas Industries 11 down at 272p, after 269p. Elsewhere in Motors, U.S. favourite Jaguar fell 6 to 292p, after 290p, following profit-taking.

Newspapers were dragged lower. Fleet, recently strong on takeover hopes, fell 10 to 263p, while United Newspapers, the holder of a 18 per cent stake in Fleet, cheapened 7 to 313p. Elsewhere, DRG retreated 7 to 171p and McCorquodale, on news of the proposed £14.8m rights issue, gave up 8 at 165p. Against the trend, Norton Opax rose 10 to 125p in response to Press comment.

Leading Properties, displaying hefty falls at one stage, managed a tentative rally late in the session. Land Securities settled a shade off the bottom, at 291p, down 7, but MEPC picked up from 310p to close just 3 cheaper on balance at 315p. A late flurry of buying interest left Stock Conversion 3 dearer at 420p, after 405p.

P & O, a strong market since the proposed merger with Sterling Guarantee Trust, succumbed to fairly heavy selling and dropped to 386p before rallying to finish 12 easier on balance at 398p; SGT gave up 4 at 73p.

Courtaulds led the retreat in Textiles, closing 5 down at 137p, after 135p. Profit-taking after last week's Press-inspired improvement left Nottingham Manufacturing 4 lower at 238p.

Tobaccos rallied on bear covering to finish well above the day's lowest levels. Bats, for example, closed unaltered at 360p, after 350p. Rothmans, however, reflected an investment recommendation at 190p, up 3.

A couple of welcome firm spots emerged among Financial Trusts. Silvermines advanced 6 to 170p, after 172p, in response to the excellent annual profits and proposed 25 per cent scrip-issue, while Kakuzi rose 7½ to 105p xd following an investment recommendation. Profit-taking clipped 6 from bid favourite Britannia Arrow, at 109p.

Oils easier

Leading Oils remained a nervous market awaiting the outcome of the Opec negotiations currently taking place in Geneva. Prices opened lower and gave further ground in early trading. Reports that the UAE oil minister had walked out of the Geneva talks caused a flurry of selling pressure towards midday—as crude oil spot prices fell sharply—but the market regained some of its composure in the afternoon and closed well above the day's lowest levels.

BP dropped to 496p early on but later rallied to close a net 12 off at 505p, while Britoil settled 4 cheaper at 203p, after 198p, and Enterprise Oil a like amount down at 177p. Initially depressed at 325p LASMO subsequently recovered to end the day 8 lower at 332p. Current takeover favourite Burmah Oil fell away to 211p before late support prompted a close of 214p, a net loss of 8. Shell retreated to 696p, before a sustained recovery movement left the shares only 10 off on balance at 707p.

Plantations provided one of the few firm areas of the market. Grand Central, still reflecting the interim compensation payment from the Sri Lankan Government, rose 2 more to 11p, while Anglo Indonesian put on 5 to 235p. Consolidated Plantations improved 4 to 103½p.

The slump in UK Gilts and equities completely overshadowed international sectors of mining markets but took its toll of the London-registered issues. An initial mark-down of prices failed to prevent a flurry of selling, but most issues rallied later in the day. Rio Tinto-Zinc dropped to 628p before steadying to close the day a net 11 off at 632p, while Hampton Areas fell to 178p prior to a close of 182p, 10 easier on the day.

Bullion's latest decline—the metal price closed $2 off at $298 an ounce, was offset by the easier trend in sterling and the majority of South African Gold shares closed with minor changes in either direction.

South African Financials fared better following Swiss buying interest. Strong performers in the sector included "Amgold," ½ firmer at £72½, De Beers, 12 better at 360p and Anglo American Corporation, 10 to the good at 950p. Minorco continued their recent revival and advanced 30 more to 720p, helped by renewed American support.

The shake-out in markets was accompanied by an increased trade in Traded Options. Total contracts amounted to 14,748, comprising 7,630 calls and 7,118 puts. British Telecom's positions were particularly active with 1,714 calls and 1,130 puts done. The FT-SE 100 accounted for 2,665 deals, including 1,940 puts.

FINANCIAL TIMES STOCK INDICES

	Jan. 28	Jan. 25	Jan. 24	Jan. 23	Jan. 22	Jan. 21	year ago
Government Secs.	78.02	78.62	79.32	80.00	80.20	80.20	83.08
Fixed Interest	83.17	84.14	84.02	84.84	84.14	84.14	87.47
Ordinary	977.0	1,002.8	991.7	1005.7	1024.5	1005.8	852.8
Gold Mines	440.3	458.5	442.0	454.3	463.0	463.7	534.5
Ord. Div. Yield	4.41	4.29	4.33	4.30	4.22	4.36	4.34
Earnings, Yld.% (full)	10.85	10.78	10.84	10.74	10.56	10.80	0.17
P/E Ratio (net) (*)	11.03	11.20	11.08	11.18	11.38	11.11	13.86
Total bargains (Est.)	32,418	31,486	55,447	28,555	33,282	25,861	32,010
Equity turnover £m.	—	475.14	582.53	378.45	597.99	466.01	340.24
Equity bargains	—	28,101	20,357	30,116	34,240	30,831	68,504
Shares traded (ml)	—	234.5	294.8	279.4	307.5	240.7	305.3

10 am 976.3. 11 am 980.6. Noon 972.7. 1 pm 959.2. 2 pm 968.7. 3 pm 970.7.

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil=10.65.

HIGHS AND LOWS

	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1/84)	76.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/5/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.0 (22/1/85)	755.3 (25/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (9/5/84)	436.5 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan 25	Jan. 24
Daily Gilt Edged Bargains	145.6	161.1
Equities Bargains	182.1	190.2
Value	956.3	1177.6
5-day Average Gilt Edged Bargains	160.8	184.1
Equities Bargains	167.8	194.2
Value	1090.7	1078.5

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Mon Jan 28 1985

[illegible]

FIXED INTEREST

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 17,070.

A=Ask B=Bid C=Call P=Put

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. §§ Introduction. ✻ Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ord. share.

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (93)

AMERICANS (29)

CANADIANS (9)

Bank of Montreal, Imperial Oil, Bank of Nova Scotia, Royal Bank of Canada, BCE, [illegible]

[illegible]

NEW LOWS (48)

[illegible]

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan 21	Feb 1	April 25	May 7
Feb 4	Feb 15	May 9	May 20
Feb 18	March 1	May 30	June 10

For rate indications see end of Share Information Service

Stocks dealt in for the call included Barratt Developments, Premier Consolidated, BSG International, C.H. Bailey, Norfolk Capital, Cray Electronics, Falcon Resources, Lonrho, British Telecom, Commercial Union, Rockware, First National Finance, Racal, Amalgamated Estates, Amstrad, Imperial Group, Selincourt, LPC, Davy Corporation, Central and Sheerwood, Cornell and Hawley Group. Puts were arranged in Lonrho and ICI, while double options were transacted in Barratt Developments, Samuelson Group, Freshbake Foods, British Oil and Minerals, Anchor Chemical, Geers Gross, CASE, Osceola, Burmah Oil and Insight.

RISES AND FALLS

	Rises	Falls	Same
British Funds	0	103	1
Corpns Dom & Foreign Bonds	1	58	74
Industrials	162	697	586
Financial & Props.	58	280	206
Oils	74	35	74
Plantations	8	2	7
Mines	46	33	99
Others	95	59	57
Totals	384	1,267	7,044

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BOC	281xd	−6½
Bowater Inds	232	−9
BP	505	−12
DRG	171	−7
Enterprise Oil	177	−4
Fisons	298	−14
Hanson Trust	217xc	−11
LASMO	332	−8
P. & O. Defd	398	−12
Reed International	570	−12
Shell Transport	707	−10
Ultramar	198	−7

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Day's close	Day's change
Falcon Res	36	330	+15
Racal Elects	30	212	+4
Euro Ferries	23	155	+8
Powell Duffryn	23	430	+2
BP	22	517	+12
Bailey (C. H.)	20	22	−1
Hanson Trust	19	342	+9
ICI	19	845	+5
Finlay (J.)	18	143	+6
Metal Box	18	432	+20
Allied-Lyons	17	183	+12
DRC	17	178	—
GEC	17	200	—
Jaguar	17	298	−4

LONDON TRADED OPTIONS

Option		Calls Feb.	Calls May	Calls Aug.
Imperial Gp. (*194)	160	37	38	42
	180	17	23	26
	200	5	13	20
	220	2½	7	12
LASMO (*360)	300	58	48	60
	330	05	33	43
	360	0	28	30

[illegible]

Jan. 28. Total contracts 14,748. Calls 7,630. Puts 7,118.

* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
280	220	Young Brew 'A' 50p	240		†5.5	2.0	3.3	21.4
180	120	Do. Non-V. 50p	160		†5.5	2.0	4.9	14.3

BUILDING, TIMBER, ROADS

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
261	186	AMEC 50p	257	−4	†10.0	2.4	5.6	9.8
202	157	Aberdeen Const.	196	−6	†6.5	2.7	4.8	10.1
200	164	Aberthaw Cement	194		ø2.5	2.5	1.5	38.1
31	15	Allied Plant 5p	25		8—	—	—	—
35	22	♦Amco Ind Hldgs	22		—	—	—	—
77	38	Arncliffe 10p	46		‡2.66	2.1	[illegible]	6.8
111	81	Atwoods	90	+2	3.5	1.8	5.5	12.8
337	232	BPB Inds. 50p	255	−10	†7.0	5.5	5.9	4.2
220	124	Baggeridge Brick	216		6.25	5.2	4.1	9.3
45	27	Bailey (Ben) 10p	28		1.2	2.9	6.2	5.1
82	20	Baldwin (H.J.) 10p	30		—	—	—	11.6
188	14	Barratt Dev. 10p	16		7.62	1.7	14.3	5.0
162	115	Bellway	132	−2	7.0	2.0	7.6	3.8
77	55	Benford M. 10p	66	−1	3.75	1.2	8.1	15.3
153	96	♦Berkeley Group	150		03.6	2.6	3.2	16.0
63	45	Bett Bros. 20p	60		3.1	♦	7.6	♦
606	349	Blockleys 20p	570		‡21.0	2.5	5.3	14.6
520	355	Blue Circle £1	495	−15	14.3	2.9	5.5	7.1
216	184	Breedon Lime	202	−2	8.6	1.3	5.9	18.0
69	46	Brickhouse Dudley 10p	66	−1	3.2	1.7	6.9	12.0
166	66	BR & EA	140		†3.0	4.5	3.1	8.2
70	47	Brit. Dredging	57		2.9	2.7	5.9	9.0
24	15	Brown Jksn 20p	18	−2	8—	—	—	6.5

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

مكتبة من الأصل

هكذا اصل الأصل

INDUSTRIALS—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
64	43	Magnolia Group	48		2.5	3.2	7.4	4.7
64	38	Mainmet Hldgs. 10p.	45	−2	—	—	—	—
270	137	Man. Ship Can. £1	257	−3	5.5	1.3	3.1	13.2
70	65	Marley	95	−4	†3.2	2.5	4.8	10.7
61	40	Marling Ind. 10p	52½	−½	td3.0	5.6	3.5	6.2
46	29	Marshall L'ey. 'A'	40		†1.2	3.6	—	(7.1)
77	37	Marshall's Universal	73	−4	H1.75	—	3.4	22.0
89	77	Do. 7½pcCnRedPf 11	84		7½%	—	12.0	—
30	20	Martin-Black	22		—	—	—	—
£108	£83	Mathesons 7¼%	£85		Q7¼%	2.3	9.2	—
432	287	Metal Box £1	423	−9	115.0	3.2	5.1	6.8
220	129	Metal Closures	255	+7	6.3	2.3	3.0	18.6
27	9	Metal Sciences 2½p	13	+2	—	—	—	—
133	83	Midland Marts	90		4.0	1.0	6.3	13.4
84½	45	Mitchell Cotts	82	−1	4.0	1.3	7.0	11.7
196	132	Morgan Crucible	192	−2	†7.5	1.2	3.6	(19.0)
36	24	Morris (W) F.A. 20p	25	+7	bq0.5	4.0	2.9	23.8
110	80	Moss (Robt.) 10p	102	−3	†2.5	2.3	3.5	14.8
330	197	MMW Computers	280	−5	6.0	3.0	3.1	15.6
65	30	Nash Inds.	40		2.5	♦	8.9	♦
47	30	Neill & Spencer 20p	46		—	—	—	79.8
53	13	Newman Industries	17		—	—	—	(9.6)
31	16½	Do. 10pc Cn.Cnv.Pf	21½		10%	—	6.6	—
67	39	Nolton	50	+5	g1.1	4.3	3.1	8.4
183	132	Norcros	168	−5	†7.5	2.4	6.4	8.9
86	55	Nu-Swift 5p	60		†2.4	3.2	5.7	1.0
100	50	Oakwood Grp.	85	−5½	4.5	♦	7.6	♦
190	135	Office & Elect	153		7.5	4.2	7.0	7.0
10½	92	[illegible] 20p	109		†4.0	2.6	3.7	8.9

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

OPTIONS — 3-month call rates

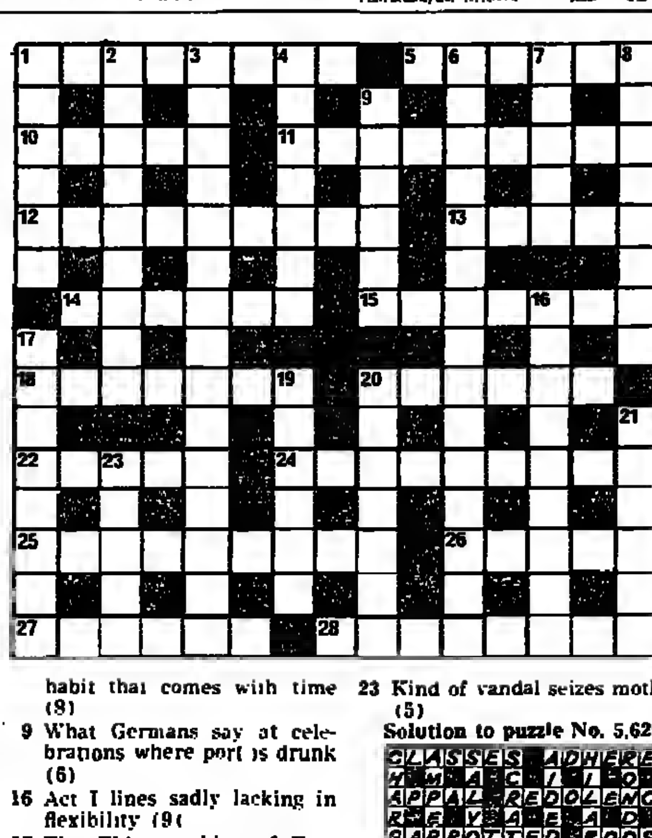
"Recent Issues" and "Rights" Page 29

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,630



ACROSS

1 Team not assumed to be of start quality (8)
5 Many pedal furiously to be among the first three (6)
10 Cross-country (5)
11 Quite sour, turned to stone (9)
12 Gelatine is in a tumbler (9)
13 Their age is proverbial (5)
14 The unobservant use the wrong runway (6)
15 Meeting turns out to be full (7)
18 Time to arrange sea-duty (7)
20 Sadie's exchanging confidences (6)
22 The trouble with 100 is moral (5)
24 Ideal item for a beginner at a furniture factory? (4, 5)
25 A souvenir-about what has been left behind (9)
26 Sort of nut that is loose maybe (5)
27 Understand about the inn being exceptional for eating (6)
28 Scrap the piano piece (8)

DOWN

1 Top 2000 in a legal action (6)
2 A number lead the union in time-wasting action (9)
3 It may enable fighters to make a comeback (9, 6)
4 His work is a matter of life and death (7)
6 It shows a sense of humour in trying circumstances (8, 2, 5)
7 It's cold, but I would make it hot (5)
8 Riding school discipline is a habit that comes with time (8)
9 What Germans say at celebrations where port is drunk (6)
16 Act I lines sadly lacking in flexibility (9)
17 The Elder as king of England (8)
19 Gives way under pressure (6)
20 Aluminium taken from Australia to another country (7)
21 Concerning inside information going to Eastern author (6)
23 Kind of vandal seizes mother (5)

Solution to puzzle No. 5,629

INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet 01-440 8210
Fund Managers, Touche Remnant & Co

Sat Sec 4	26.5	28.0		—
Blue Chip	23.6	24.9		—
Fixed Yield	24.6	20.7		—
Guaranteed Mny	16.0	16.9		—
Managed	20.9	27.1		—
International	28.8	30.4		—
Property	17.1	18.1		—
Pacific	22.6	23.8		—
Equity	16.6	17.5		—
Special Sits	25.3	26.7		—
Int Currency	14.1	14.9		—
Index Linked Secs	11.1	11.7		—
American	22.8	24.0		—

Life Assur. Co. of Pennsylvania
6, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.30	15.08		—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202

National Provident Institution
48, Gracechurch St, EC3P 3HH 01-623 4200

Managed	197.6	208.0	−2.1	—
UK Equity	225.6	237.5	−4.4	—
Overseas Eq	209.1	220.2	+1.9	—
American	210.9	222.1	+2.9	—
Far East	182.5	192.2	+0.4	—
Property	112.9	118.9		—
Fixed Int	155.4	164.2	−2.7	—
Index-Lnkd Gilt	104.2	104.7	−2.1	—
Deposit	114.0	120.1		—

Pension Fund Prices

NPI Pensions Management Ltd.
Prices Jan 2 Next dealing February 1

New Zealand Insurance PLC
110/114, Baxter Avenue, Southend. (0702) 344555

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.74		−0.03	—

Inv. Adv. M & G Inv Mngt. Ltd, London

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12.7	13.2		3.10
Chinese Fund	58.8	61.2		1.70
Precious Metal Fund	71.4	74.3		0.30
Vanguard Cmdy. Fd.	19.8	20.4	−0.5	0.01
Financial Futures Fd	32.5	33.8		—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd	$58.87		−0.09	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust 63 Qn Victoria St, EC4B 4ST. 01-236 0952				
Call Fnd	11.90	12.60	6-mth	Call
7-day Fnd	11.80	12.27	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.71	12.05	6-mth	Call
7-day Fund	11.76	12.10	6-mth	7-day
Money Mngt. Acct.	11.35	11.67	3-mth	Call
Dollar	8.02	8.10	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Act	12.500	13.10	Qtrl	Call
Mth. Int. Chq.	12.25	12.96	Mthl	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.20	14.09	Mthl	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.50	12.00	Qtrl	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.50	12.13	Mthl	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				

NOTES

COMMODITIES AND AGRICULTURE

Increase in interest rates prompts copper downturn

BY JOHN EDWARDS, COMMODITIES EDITOR

THE RISE in UK interest rates brought a temporary downturn in the London copper market yesterday, encouraging freer offerings of spot supplies. However, prices rallied strongly in late after-hours trading, eliminating the earlier losses.

Strong buying interest emerged from New York coupled with rumours that a major U.S. producer was planning to cease production. The renewed decline in London Metal Exchange warehouse stocks of copper came as little surprise, although some traders were predicting a bigger fall. Stocks are now at the lowest since December 1981.

A further steep fall in warehouse stocks of nickel pushed LME prices to a record, with the three-months quotation closing £102.5 higher at £4,647.5 a tonne.

The shortage of immediately available supplies and fears of a production setback in New Caledonia as a result of sabotage at Le Nickel's major mine, is putting pressure on the London market. The producers are believed to be helping the upward trend although Falconbridge reported on Friday that its nickel stocks at the end of 1984 rose to 33.2m lb compared with 27.7m at the end of 1983.

A large increase in LME warehouse stocks of lead failed to prevent the cash price from closing £3.5 up at £391.5 a tonne. The rise in stocks was no surprise and a shortage of immediately available supplies remains a dominant influence. The gap between the cash and three-months price widened.

Zinc also held steady although the rise in stocks and the UK interest rates increase brought some selling. The firm trend is sustained by the Peruvian refinery strike and the U.S. Mint buying tender due on February 12.

The International Lead and Zinc Study Group reported yesterday that preliminary assessments showed that zinc mine and refined metal production in the non-Communist world rose to record levels last year.

Mine production was estimated to have increased from 4.79m to 4.98m tonnes, due mainly to a 130,000 tonnes rise in Canadian output. Refined zinc output last year was put at 4.82m tonnes against 4.64m in 1983. Refined zinc consumption last year in the non-Communist world was estimated at 4.7m (4.6m) with exports to Communist countries of some 185,000 tonnes.

World production of lead was put marginally lower last year at 3.901m tonnes, while non-Communist consumption rose to 3.87m tonnes (3.8m). Net exports to the Communist bloc were estimated at 96,000 tonnes.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes for week ending Jan 25)

Aluminium	−1,350	to 142,950
Copper	−2,325	to 120,325
Lead	+4,025	to 51,525
Nickel	−1,902	to 4,902
Tin	+205	to 22,200
Zinc	+1,275	to 30,275 (tonnes)
Silver	+30,000	to 52,804,000 (ounces)

Exchange concession on bananas ruled out

DOMINICA — Mrs Peggy Fenner, Junior Agriculture Minister, ruled out special exchange concessions for Caribbean banana exports to Britain to compensate producers for sterling's depreciation against the dollar.

Mrs Fenner said Britain could not agree to a request by Dominica for a fixed exchange rate between sterling and the Eastern Caribbean dollar for banana exports.

Officials in the region have complained that banana export earnings were hit last year by sterling's fall, despite an increase in export volume.

● NICARAGUA sent mental patients and prisoners to harvest coffee and cotton in areas where a labour shortage threatened crops, the pro-Government newspaper, El Nuevo Diario, said. They would be paid for their work.

● FINNISH company, Yleinen Insinooritoimisto Oy, signed to deliver two grain silo complexes to Saudi Arabia valued at $48.4m (£43.6m), to be erected by August next year at Tabuk and El Dawarsi.

● U.S. cotton growers intend to plant 10.78m acres of cotton in spring, three per cent less than last year, according to a survey in January by the National Cotton Council.

● INDIA signed a contract to sell Pakistan around 300,000 tonnes of iron ore in 1985-86 ending March, against 220,000 tonnes, valued at Rs 5bn (£351m) to be sold in 1984-85, trade officials said. The Pakistan embassy said prices for 1985-86 remained to be negotiated.

● THAI Tapioca Trade Association appealed to farmers for an immediate 50 per cent cut in the total of 3.4m acres planted to tapioca. It said this was essential to reduce a surplus of 3.2m tonnes of tapioca pellets and chips after domestic consumption and exports.

LONDON Metal Exchange elected Mr Edward "Ted" Jordan chairman of its management committee and Mr Monty Frankel vice-chairman. Mr Jordan, the former vice-chairman, took up his position following Mr Michael Brown's resignation last Wednesday.

Abattoirs campaign for a leaner joint

Farmers' Viewpoint: by John Cherrington

ABATTOIR OPERATORS have been putting pressure on the Ministry of Agriculture to alter the rules for certifying sheep and cattle for the EEC's premium payments which support both beef and sheep meat. At present, the animals can be graded either livestock at livestock auctions or by deadweight.

The abattoir owners are finding it more difficult to sell carcases with excess fat to an increasingly choosy public and believe that only by making the farmer suffer deductions for what they consider over-fat animals can he be induced to supply what the market wants.

This suggestion is opposed by livestock auctioneers who claim that the grading of live animals, performed by the same graders who do the deadweight and who are employed by the Meat and Livestock Commission, is accurate. They say that in any case, buyers for the abattoirs should be capable of judging the beasts on the hoof and paying according to their judgment.

The auctioneers, of course, have an interest. Seventy per cent of sheep and 55 per cent of cattle are graded and certified for subsidy through live markets. Should this turnover be lost to them their finances would suffer significant loss.

They claim, with justice, that they perform a valuable service for farmers. Providing a market where buyers can compete for supplies in a way impossible when selling directly to abattoirs. It is also true that a farmer dissatisfied with grading in a live market can withdraw his stock for offering later.

The argument has sharpened lately after the publication of research linking saturated fats with various health problems. These in turn, have stimulated the supermarket chains to insist that their suppliers provide leaner meat. The discounts for over-fat carcases, on which buyers insist, can be as much as 20 per cent more.

Most of the trouble concerns sheep. Last summer was a good one for sheep grazing and many of the lambs developed what the meat trade considers is excessive fat. Sheep are graded from 1 to 5 and those in the last category fail to be certified for the EEC premium which can amount to 40 per cent of total returns. Many of the traders object to those graded 4, saying that they are also too fat. Some, particularly those exporting sheep to France, will make deductions for grade 4 as well.

The grading of sheep carcases is not an exact science of fat measurement but an individual visual assessment by the grader based on experience and training. It is not easy to arrive at consistent results with carcase grading and almost impossible with live animals to differentiate between the different grades. To be fair, the live grader is not asked to do this. All he has been asked to do is to decide the killing-out percentage, the weight of the carcase compared with the live weight of the animal, and whether it is over-fat or of poor conformation. In either case it would not receive the premium.

In general, conformation is easy to determine by handling the animal but determining the degree of over-fat I find difficult, even after a lifetime's experience of selling large numbers of sheep and lambs. I saw experienced sheep men trying to do the same in New Zealand some years ago and didn't think they could do it either. In New Zealand, however, there is an export bottleneck through which all lambs have to pass and over-fat carcasses are severely penalised in price.

In this country market supplies and prices can vary quite widely. If there is any shortage quality does not really matter but if there is a surplus buyers will use every quality excuse to cut the prices offered. These factors, it seems, are even more significant in the livestock markets than in the abattoirs.

It is not easy for the farmer to control the rate at which his lambs lay on fat. The best he can do is to handle his lambs often, especially when it is a favourable season, and send them off as soon as they seem to be of gradable conformation.

However, there is no rule of thumb. The odds are stacked against achieving today's acceptable lean carcases because the breeds of sheep available are mainly those developed when carcase standards were different and animal fat, even sheep fat, was saleable which it certainly is not now.

I have been selling lambs by deadweight since the trade resumed after the war-time controls were removed in 1954. I don't miss the market competition because there is keen competition to get supplies from a number of abattoirs with whom I can check prices offered. I think it has paid me and if these buyers ask for different quality and will pay for it I shall breed lambs to oblige them.

There is a good precedent. The quality of pigs marketed far exceeds the standards of even 25 years ago. Ninety per cent are sold by deadweight and most are subject to grading to the customers' demands. There are no EEC or other subsidies which show that such a system works. Subject to the same disciplines beef and sheep farmers would probably produce the stock which the market, in its wisdom, wants.

Florida puts embargo on fruit shipment

By Nancy Dunne

AN EMBARGO for one week on all Florida fresh fruit shipments went into effect yesterday as state officials began inspections of citrus damaged in last week's three-day freeze.

Orange juice futures prices on New York's cotton exchange steadied in early trading yesterday after Friday's decline.

Estimates of the result of what some officials call the worst agricultural disaster in the state's history show damage to tens of thousands of acres in 12 central Florida counties. Officials predict that much of the land which suported groves for years will now be sold for housing, switched to hardier crops or left unused.

The cold is expected to cost the jobs of one-third of the 300,000 state farm workers.

Soyabean futures boosted by lower output forecast

BY NANCY DUNNE

U.S. SOYABEAN futures prices strengthened in early trading yesterday after the U.S. Department of Agriculture had dropped its 1984 production estimate on Friday from 1.9bn bushels to 1.86bn bushels.

Prices for March soyabeans moved ahead about 8 cents to $6.05 a bushel, aided by news of continuing dryness in Brazil's two largest soyabean areas.

Traders noted that the department had cut estimates across the main farm states instead of in the southern states—an indication, they said, that further supply reductions would appear.

Several analysts have been predicting reduced soyabean planting this year. In its December economic forecast, Wharton International Agriculture Service forsaw a cut in area planted for all U.S. grains except maize.

While Wharton expects U.S. farmers to participate in acreage reduction in large numbers this year, to be assured of subsidies, maize planting is expected to increase.

"In addition to poor returns to soyabean producers resulting from low prices, soyabean area will be restrained by the large decline in winter wheat planting which will limit double cropping in the maize belt and mid-south," Wharton

The department on Friday raised its estimate for U.S. maize production to 7.6bn bushels from 7.5bn. It was a larger increase than had been expected by the market, but futures prices had dropped by Monday by only two cents in near trading months to about $2.7 a bushel.

London tea auction prices ease

BY OUR COMMODITIES EDITOR

PRICES WERE easier at the London weekly tea auctions yesterday as the market continued to seek a realistic level.

The much bigger crops in the main producing countries last year have taken off some of the pressure, although brokers say it remains a producers' market with supplies below estimated demand. Further consolidation is forecast for some weeks until this season's supply and demand balance becomes clearer.

There were 32,532 packages on offer at yesterday's London sale, including 4,800 packages in the offshore section, Thompson Lloyd reported.

A fair demand prevailed. Assams met good competition and although plainer sorts tended easier, good, medium and best liquoring types ruled fully firm. Coloury Bangladesh teas advanced but others lost 2/4p. Selected bright East Africans held values but the remainder shed 4/8p. Central Africans followed a similar pattern with plainer lines easier.

Best Ceylons remained firm but mediums often lost ground. Offshore teas were well supported, with brighter sorts tending lower. Others were about steady. Average price indications, compared with a week ago, were: quality 335p (340) a kilo; medium 298p (300), low medium 253p (255).

Reuter reported from Dhaka that, according to the Bangladesh Tea Board, tea exports fell to 12.39m kg in the first half of the 1984-85 financial year from 20.1m kg in the same period of the previous year. The financial year ends on June 30. The 1984-85 export target is 34m kg.

The board said it expected tea production would be nearly 40m kg this year. In the past six months Bangladesh produced 22m kg, according to official figures.

Bad weather causes fall in milk output

THE RECENT severe weather has hit milk output in England and Wales, according to the Milk Marketing Board. Production from April 2 to January 19 was 2.8 per cent below the estimated quota and the shortfall against quota since April is estimated at 243m litres.

To meet the annual quota by March 31 the board said production for the next three months would have to be 8.4 per cent above the quota level. Weekly output is only 1 per cent above and 4 per cent down on a year ago.

LONDON MARKETS

COCOA futures in London surged yesterday to the highest level for 6¼ years. After moving up the permissible limit of £40 in the morning, values moved further ahead in the afternoon. The May delivery position closed £67.5 higher at £2,181.5 a tonne after reaching £2,197 at one stage.

Dealers said there was no fundamental supply-demand news to account for the rise. It reflected speculative and trade buying interest, encouraged by the firm trend in New York on Friday. The London daily price for raw sugar was marked up by $11 to $116.5 a tonne following the sharp rise in London and New York futures values on Friday.

However, futures in London eased back yesterday.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

COPPER

COPPER	a.m. Official	+ or −	a.m. Unofficial	+ or −†
High Grde.	£	£	£	£
Cash	1244-.5-5	+.5	1252-5	−11.5
3 months	1264 .5	+2.75	1245-.5	−7.5
Settlem't	1245	+.5	—	—
Cathodes		—	—	—
Cash	1255-.5	+4	1293 5	−7.5
3 months	1244-.5	+2.25	1234-.5	−0.75

ALUMINIUM

NICKEL

TIN

LEAD

ZINC

SILVER

GRAINS

COCOA

PIGMEAT

COFFEE

POTATOES

INDICES

FINANCIAL TIMES

REUTERS

MOODY'S

DOW JONES

OIL

In very thin trading Brent Blend fell 30c but rallied slightly towards the close. Nymex crude opened 40c down and traded around that level through the morning. In the petroleum products market delays in loading Russian gas oil means prompt supplies are tight. This lessened the fall caused by the apparent Opec disarray.—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.55-27.60	−0.075
Arab Heavy	26.50-26.60	−0.06
Dubai	27.15-27.25	−0.05
Brent Blend	26.80-26.90	−0.20
W.T.I. (1pm est)	24.80-24.95*	−0.475
Forcados (Nigeria)	27.20-27.25	+0.075
Urals (cif NWE)	—	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	229-251	—
Gas Oil	250-254	−1.5
Heavy fuel oil	193-186	—

GAS OIL FUTURES

RUBBER

SOYABEAN MEAL

SUGAR

WOOL FUTURES

U.S. MARKETS

COPPER opened weak but firmed as arbitrage buying off stronger sterling contributed to a strong close, reports Heinold Commodities. Aluminium rallied sharply on technically orientated buying along with arbitrage interest. Precious Metals opened lower on bearishness over the Opec discussions, but strong trade and speculative buying in silver lifted gold also. Heating oil was under heavy pressure from the outset as reports of sharp divisions among Opec members began to circulate before the opening. Sugar traded moderately higher on private crop reports indicating possible lower beet plantings in Europe. Cocoa moved slightly higher on fresh physical inquiry reported by the producing countries. Coffee was under light pressure from profit-taking and on expectations of further selling by Brazil. Soyabeans rallied on a bullish Government crop report and closed at critical resistance points on general buying

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	48.70	—	—	48.00
Feb	48.45	—	—	48.40
March	49.50	49.85	48.90	48.75
May	50.50	50.50	49.70	49.40
July	51.20	—	—	50.05
Sept	51.80	—	—	50.70
Dec	52.95	—	—	52.10
Jan	53.30	—	—	52.10

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	64.82	65.21	64.68	66.19
May	65.86	66.00	65.70	66.12
July	66.92	67.25	66.82	67.27
Oct	67.15	67.45	67.20	67.45
Dec	67.25	67.65	67.25	67.50
March	68.40	68.65	68.65	68.70

CHICAGO

LIVE-CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	66.47	65.55	65.05	64.97
April	68.27	68.30	67.40	67.37
June	68.77	68.85	68.15	67.92
August	66.67	66.70	66.10	65.90

OTHER MARKETS

JUTE

COTTON

PARIS

MEAT

ROTTERDAM

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Oil fears depress sterling

Sterling fell to record lows in in currency markets yesterday but recovered to show only small losses from Friday, following a two point rise in UK clearing banks' base rates to 14 per cent and support by the Bank of England.

During the morning it touched a low of $1.1060 against the dollar efter reports that United Arab Emirates representatives had walked ont of the Opec meeting lo Geneva. However, the rise in base rates brought sterling back to $1.1140 and lt touched a best level of $1.1170 before easing back to finish at $1.1105-1.1115, a rise of just five points from Friday. Its exchange rato index fell to an all-time tradlog low of 70.3 at ooon, efter opening at 70.4 but came back to close at 70.5 compared with 70.6 oo Friday.

Against the D-mark it touched a trading low of DM 3.51 before coming back to DM 3.5175, its itself a record closing low and down from DM 3.5200. Elsewhere its performance was a little better, finishing oochanged agaiost the Swiss franc at SwFr 2.9575 and risiog against tha yen to Y282.50 from Y282.00 and FFr 10.7825 from FFr 10.7550.

Trading was very norvous for most of the day and there appeared t obe little chance of sterling ragaining much confidence until the outcome of the current Opec meeting.

The dollar took a back seat ln yesterday's activities and was confined to a narrow range. While the desire to pusb it firmer remained, there was a strong fear of provoking concerted central bank intervention. Consequently it showed very little overall ebange to close st DM 3.1670 from DM 3.1660 and SwFr 2.6620 compared with SwFr 2.6610. Against the Franch franc it closed st FFr 9.68 from FFr 9.6850 and Y254.15 from Y253.90. On Bank of Eogland figures, its Index rose to 146.3 from 146.1.

D-MARK — Trading range against the dollar in 1984-85 is 3.1935 to 2.5535. December averaga 3.1021. Trade weighted index 120.4 against 124.0 six months ago.

The dollar was fixed at DM 3.1688 at yesterday's fixing in Frankfurt up from DM 3.1599 on Friday and there was no interventioo by the Bundesbank. Trading was very quiet and uneventful with the dollar confined to a narrow range. Interest in the current Opec talks tended to influeoce sterling more than any other currency and lt was fixed at DM 3.5250 down from DM 3.5380 oo Friday but up from a record trading low of DM 3.5100, efter a rise in UK hase rates. News of the best German trade surptus sioce 1978 failed to have much effect on the market nor did commetns by West German Economics Minister Martin Bangemann, urging against e call to iocrease German ioterest rates.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.3967	−1.12	−2.05	±1.5428
Danish Krone ...	8.14104	7.92187	−2.69	−1.62	±1.6421
German D-Mark	2.24184	2.22010	−0.97	+0.10	±1.1463
French Franc ...	6.87456	6.78747	−1.27	−0.20	±1.3659
Dutch Guilder ...	2.52595	2.50878	−0.68	+0.39	±1.5169
Irish Punt	0.72569	0.713813	−1.64	−0.67	±1.6671
Italian Lira	1403.49	1367.72	−2.55	−2.22	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Jan 28	Previous
8.30 am	70.4	70.8
9.00 am	70.5	70.7
10.00 am	70.6	70.7
11.00 am	70.5	70.7
Noon	70.3	70.8
1.00 pm	70.5	70.8
2.00 pm	70.7	70.7
3.00 pm	70.5	70.7
4.00 pm	70.5	70.6

£ in New York

	January 25	Prev. close
£ Spot	$1.1135-1.1145	$1.1065-1.1575
1 month	0.58-0.54pm	0.41-0.38 pm
3 months	1.69-1.53pm	1.11-1.08 pm
12 months	3.90-3.85pm	2.80-2.75 pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Jan 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1060-1.1170	1.1105-1.1715	0.55-0.50c pm	5.67	1.58-1.48pm	5.51
Canada	1.4705-1.4790	1.4720-1.4740	0.53-0.42c pm	3.87	1.53-1.33pm	3.88
Nethlnd.	3.96½-3.99¾	3.97½-3.98½	2⅜-2⅛c pm	7.73	7⅞-7pm	7.35
Belgium	70.15-70.70	70.35-70.45	22-16c pm	3.24	60-48pm	3.07
Denmark	12.545-12.601	12.54½-12.56½	2⅜-1⅜ore pm	0.49	7½-5¾pm	2.05
Ireland	1.1299-1.1364	1.1306-1.1316	0.02p pm-0.15dis	−0.89	0.04pm-.31d	−0.48
W. Ger.	3.50⅝-3.53½	3.51½-3.52½	2½-2⅛pf pm	7.89	8½-6¾pm	7.53
Portugal	191.50-193.24	191.50-192.80	170-460c dis	−18.67	506-1355d	−12.38
Spain	194.50-195.55	195.05-195.55	5-10c dis	−0.40	5-40dis	−0.45
Italy	2,162-2,179	2,186-2,188	par-4 lire dis	−1.11	4-9dis	−1.20
Norway	10.193-10.220	10.18½-10.20	1⅜-⅞ore pm	7.47	4½-3¾pm	−1.55
France	10.72½-10.81½	10.78-10.78½	3⅜-2⅜c pm	3.21	8½-6⅞pm	2.86
Sweden	10.04½-10.08½	10.04½-10.05½	¾ore pm-⅛ dis	—	1⅛-⅜pm	0.50
Japan	281½-283½	282-283	1⅞-1⅝y pm	7.48	5⅜-4¾pm	7.08
Austria	24.65-24.80	24.69-24.73	13⅜-11⅞gro pm	6.10	37½-34½pm	5.85
Switz.	2.94⅞-2.97⅜	2.95½-2.96	2⅜-1⅞c pm	8.37	6⅜-5½pm	7.95

Belgian rate is for convertible francs. Financial franc 70.65-70.75. Six-month forward dollar 2.65-2.55c pm, 12-month 2.80-3.60c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Jan 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1060-1.1170	1.1105-1.1115	0.55-0.50c pm	5.67	1.58-1.48pm	5.51
Ireland†	0.9808-0.9830	0.9822-0.9829	0.54-0.50c pm	0.36	1.62-1.42pm	5.99
Canada	1.3241-1.3272	1.3260-1.3265	0.16-0.19c dis	−1.58	0.39-0.44dis	−1.25
Nethlnd.	3.5700-3.5895	3.5795-3.5805	5.69-0.66c pm	2.26	2.08-2.05pm	2.31
Belgium	63.30-63.68	63.30-63.40	12-13c dis	−2.37	34-38dis	−2.21
Denmark	11.29-11.31½	11.29¼-11.29¾	2½-3ore dis	−2.92	7½-8dis	−2.74
W. Ger.	3.1645-3.1705	3.1665-3.1675	0.67-0.62pf pm	2.44	1.99-1.94pm	2.48
Portugal	172½-173½	172¾-173¼	225-475c dis	−24.28	650-1400d	−23.70
Spain	175.15-175.60	175.30-175.40	62-72c dis	−4.58	200-215dis	−4.73
Italy	1,949½-1,953½	1,950½-1,951½	10-10½ lire dis	−3.30	31-31½dis	−3.43
Norway	9.16½-9.18½	9.16¾-9.17¼	2.70-3.20ore dis	−3.85	8½-9dis	−3.87
France	9.67½-9.69¾	9.67¾-9.68¼	1.60-1.70c dis	−2.04	5.30-5.60dis	−2.25
Sweden	9.04-9.06	9.04¼-9.04¾	3¾-4¼ore dis	−5.30	11-11½dis	−5.03
Japan	254.00-254.45	254.10-254.20	0.43-0.39y pm	1.94	1.29-1.24pm	7.99
Austria	22.23-22.28	22.23-22.25	3.10-2.50gro pm	1.51	8-7pm	1.44
Switz.	2.6595-2.6650	2.6615-2.6625	0.65-0.59c pm	2.34	2.00-1.94pm	2.96

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 63.50-63.70.

OTHER CURRENCIES

Jan. 28	£	$		£ Note Rates
Argentina Peso...	235.86-236.30	211.95-210.57	Austria	24.60-24.90
Australia Dollar.	1.3630-1.3650	1.2240-1.2246	Belgium	70.80-71.00
Brazil Cruzeiro...	3,829-3,852	3,441-3,458	Denmark........	12.47-12.59
Finland Markka..	7.3945-7.4120	6.6470-6.6490	France	10.70-10.80

CURRENCY MOVEMENTS

Jan. 28	Bank of England Index	Morgan Guaranty Changes %
Sterling	70.5	−20.1
U.S. dollar.	145.3	+32.2
Canadian dollar...	20.7	−3.2

CURRENCY RATES

Jan. 28	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling......	—	0.878075	0.629487
U.S. $.........	8	0.274049	0.700679
Canadian $...	9.66	•	0.928579
Austria Sch.	4½	21.5607	15.5901
Belgian Fr...	11	51.7382	44.5967
Danish Kr....	7	11.0108	7.92187

EURO-CURRENCY INTEREST RATES (Market closing rates)

Jan. 28	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	15¾-14	8⅛-8⅝	2¼-9¾	5⅝-6¾	⅛-¼	0⅞-5⅜	10⅜-10½	14-15	10-10½	10½-10¾	5⅛-5¼	11¾-12¼
7 days' notice	14-14¼	8⅜-8⅝	2¼-9¾	5⅜-6¾	12¾-13	0⅞-5⅜	10⅜-10½	14-15	10¼-10¾	10½-10¾	6⅜-6⅝	11-11½
Month	14½-14¼	8⅝-8⅞	8½-9¾	5¾-5⅞	0⅜-5½	5⅝-5⅜	10⅝-10½	14½-15	10⅛-11	10⅝-10⅞	5¼-6⅛	11½-12
Three months	13⅞-14⅛	8⅝-8⅞	0½-9¾	5⅛-6⅛	5⅛-5⅝	5⅛-6⅜	10⅜-10⅞	14¾-15¼	10½-11	10⅝-10⅞	0⅛-5⅞	11⅝-18⅛
Six months	13½-13⅝	8⅝-8¾	0½-2¾	5⅛-6⅛	5¼-5⅜	5⅛-5⅛	11-11⅛	14¼-15⅛	10½-11	10⅝-10⅞	5¼-6⅛	11½-12
One year	15-15⅛	0¼-9⅜	0¾-10	5⅛-5¼	5⅛-5⅛	5⅛-6⅜	11¼-11⅜	15-15⅝	10½-11	10⅝-10⅞	5¼-6⅜	11⅝-11⅞

Asian $ (closing rates in Singapore): Short-term 8¼-8⅜ per cent; seven days 8¼-8⅜ per cent; one month 8⅞-8⅝ per cent; three months 8⅞-8⅝ per cent; six months 8⅞-8⅞ per cent; one year 9⅛-9⅛ per cent. Long-term Eurodollars: two years 10⅛-10½ per cent; three years 10⅝-11 per cent; four years 11¼-11½ per cent; five years 11½-11⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Sharp fall

Sterling based instrumeots fell sharply in the London International Finaocial Futures Exchange yesterdoy, followiog an Increase to 14 per cent ln bank base rates and sterling's fall to record lows. Both short sterling deposits and long gilts were limit down, baving opened weeker amid growing uocertaloty over the current Opec meeting and a persisteot rise in casb rates to counter sterling's weakness.

The size of recent movements prompted the Internatiooal Commodities Clearing House to call for additional margios on the short sterling deposit contract. The normal deposit whicb covered movements of 80 basis points was doubled. Yesterday's March contract opened at 87.60 down from 88.15 and was limit down at 87.15 during the morning. A resumption of tradiog saw a low of 86.35 but it recovered to finish et 86.72.

Gilt prices showed the same pattern with the March price opening at 103-01 end subsequeotly falling to e low of 100-24. Late buying reatored the contract to a close of 101-22. The FT-SE price for March fell to a low of 124.80 from an opeoing of 127.20 and finished at 126.15 down from 128.75.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
March	91.27	91.30	91.21	91.32
June	90.76	90.77	90.69	90.82
Sept	90.21	90.21	90.15	90.28
Dec	89.74	89.74	89.68	89.79
March	89.36	—	—	89.40

Estimated volume 4,167 (5,512)
Previous day's open int 12,556 (12,397)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	73-14	73-15	73-06	73-14
June	72-10	—	—	72-18

Estimated volume 1,407 (2,691)
Previous day's open int 1,973 (2,133)

FT-SE 100 INDEX

	Close	High	Low	Prev
March	126.15	127.20	124.80	128.75
June	128.50	126.50	125.60	129.10
Sept	126.80	—	—	129.90

Estimated volume 872 (392)
Previous day's open int 1,006 (977)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

MONEY MARKETS

Base rates up to 14% on weak pound

UK clearing bank base rates rose by 2 points to 14 per cent yesterday as sterling fell to record lows. The move was quickly endorsed by the Bank of England through a similar increase in money market intervention rates. A rise in rates seemed inevitablo after three-month interbank money rose sharply during the morning to a peak of 14¼-14½ per cent from an opening level of 12¾-13 per cent. After the increase it settled back a little to finish at 14-14⅛ per cent compared with 12¾-12⅞ per cent on Friday.

Three-month eligible bank bills were bid at 13½ per cent up from 11⅞ per cent. Overnight interbank money started ot 11¾-12 per cent and touched 14½ per ceot before finishing at 11 per cent. The size and speed of the rise in rates left moch of the market a little dazed but initial reactions, reflected in the pronounced reverse yield curve, suggested that current levels would not be held for too long. Others were more cautious however, pointing out thot the pound was still very weak and still showed an overall loss from last Friday.

The Bank of England forecast a shortage of arouod £350m with factors affecting the market including meturing assistaoce and a take up of Treasury bills together draining £781m eod banks' balances brought forward £20m below target. These were partly offset by Exchequer transactions which added £125m and a fall in the nots circulation of £275m. In the morniog the Bank geve essistance of £38m through purchases of £32m of eligible bank bills lo band 2 (15-33 days) at 13¾ per cent, £2m in band 3 (34-63 days) at 13¾ per cent and £4m in band 4 (64-91 days) at 13¾ per cent.

The forecast was revised to a shortage of around £400m before taking ioto account the early help and the Bank geve additional assistance in the afternoon of £276m. This comprised purchases of £56m of eligible bank bills in band 1 (op to 14 days) at 13⅞ per cent and £113m in band 2 et 13¾ per ceot. Io band 3 it bought £106m of eligible bank bills at 13⅞ per cent and in band 4 £1m of Treasury bills at 13¾ per cent. It also provided late assistance of £80m, making a total of £394m.

UK clearing banks' base lending rate 14 per cent since January 28.

MONEY RATES

Jan. 28	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	10½	1½-1⅜	5⅛-0⅞	6.28125	15⅝-16⅛	11.50	14¾-15
One month	5.70-5.85	10⅜-10½	5⅝-5½	5¾-5⅞	5.28125	15⅝-10	10⅝-10⅞	14¾-15
Two months	5.05-5.80	10⅞-10⅞	—	—	—	—	—	14⅝-14⅞
Three months	5.75-5.90	10⅞-10⅞	5⅝-5⅞	5⅞-5⅞	6.34375	15¾-18⅛	10⅝-10⅞	14⅝-14⅞
Six months	5.85-6.00	10⅞-10⅞	—	5-5⅛	—	—	10⅝-10⅞	14¼-14½
Lombard	6.5	—	—	—	—	—	—	—
Intervention	—	10½	—	0¾	—	—	—	—

LONDON MONEY RATES

FT LONDON INTERBANK FIXING

(11.00 a.m. January 28)
3 months U.S. dollars

bid 8 5/15	offer 8 7/16

5 months U.S. dollars

bid 8 6/8	offer 8 5/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

Company Notices

HOWARD AND WYNDHAM PLC

In a Petition presented to the Court of Session on 23rd January 1985 at the instance of HOWARD AND WYNDHAM PLC, a Company incorporated under the Companies Acts 1862 to 1900 and having its Registered Office at 28 Abercromby Place, Edinburgh, for Confirmation of Reduction of Capital, the Court has now pronounced the following interlocutor:—

"Edinburgh, 25th January 1985. The Lords appoint the Petition to be intimated on the walls and in the minute book in common form, and to be advertised once in the Edinburgh Gazette and once in each of the Financial Times and Scotsman newspapers, and allow all parties claiming an interest to lodge answers thereto, if so advised, within 14 days after such intimation and advertisement."

EMSLIE, I. P. D.

OF ALL WHICH INTIMATION IS HEREBY GIVEN.

DUNDAS & WILSON, C.S.
25 Charlotte Square,
Edinburgh.
Solicitors for Petitioners.

$ US 30.000.000,-
LJUBLJANSKA BANKA FL.R.
1978/1985

For six mooths, from January 23, 1985, to July 22, 1985 the notes will carry an interest rate of 9 13/16 % per annum. The interest due on July 23, 1985 against coupon number 14 will be $ US 49,34 and has been computed on the actual number of days elapsed (181) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
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£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on January 28, 1985. In some cases rate is nominal. Market rates are the everage of buying and selling rates except where they ere shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.05 †
Algeria	Dinar	(A) 5.72
Andorra	French Franc	10.7525
	Spanish Peseta	125.50
Angola	Kwanza	(CM) 33.4805
Antigua	E. Caribbean $	3.00
Argentina	New Peso	235.075
Greenland	Danish Kroner	12.55
Grenada	E. Caribbean $	3.00
Guadaloupe	Local Franc	10.7525
Guam	U.S. $	1.1110
Guatemala	Quetzal	1.1110
Guinea	Syli	28.25
Guinea-Bissau	Peso	96.15
Guyana	Guyanese $	4.6660
Peru	Sol	exc(A) 17,098.35
Philippines	Philippine Peso	18.90
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.5735
Poland	Zloty	155.55
Portugal	Portuguese Escudo	192.15
Puerto Rico	U.S. $	1.1110

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for January 28.

OVER-THE-COUNTER

Continued from Page 28

Indices

NEW YORK DOW JONES

CAPITAL MARKETS

U.S. corporations triple new issues to record $24.7bn

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

INTERNATIONAL bond issues by U.S. corporations more than tripled last year to reach a record $24.7bn, according to Salomon Brothers, the U.S. investment house.

Rapid growth in credit demand within the U.S. and the relatively favourable borrowing terms in the Euromarket produced a new-issue stampede that continued and even accelerated during the second half of the year, after the repeal of U.S. withholding tax on interest paid to non-residents.

As a result, the Salomon figures show there was a change of emphasis in the primary market, with corporate and sovereign borrowers starting to hog the limelight in the place of the traditionally dominant supranational organisations.

The World Bank, with new issues totalling $5.5bn, was again the largest single borrower in international bond markets. Taken as a whole, however, borrowings by supranational organisations slipped last year to $12.7bn from $13.4bn in 1983.

One sovereign borrower, Sweden, nearly toppled the World Bank from its usual top position. It raised $5.3bn last year, nearly twice the $2.7bn of 1983. Uausually a U.S. corporation, Texaco, is included in the top five borrowers, with new issues totalling $2bn.

The increased presence of sovereign borrowers owes much to an explosion of activity in the floating rate note market, where new dollar issues jumped to $29.2bn from $14.1bn in 1983. Salomon said, however, that it was particularly surprised by the pace of new U.S. corporate issues after last July's tax changes, which might have made borrowing in the U.S. more attractive.

U.S. corporations will again be large borrowers in 1985, it said, although the total raised by all borrowers in the bond markets will probably not increase materially from last year's record $108bn.

Among the factors depressing growth is the competition from other forms of borrowing such as the Euronote issuance facility and floating rate notes launched in the U.S. domestic market.

Salomon's market study makes a rare estimate of the volume of business in the burgeoning swap market, which has been a big factor in the rise in bond market volume.

Interest rate swaps more than tripled to $65bn last year and currency swaps grew at the same pace, to between $12bn and $15bn, it estimates.

But the study reserves some harsh words for the new U.S. Treasury issues that are specially aimed at foreign investors. "It is doubtful whether their issuance will continue in 1985 unless the opportunity for significant cost savings re-emerges," it says.

TOP 10 BORROWERS IN WORLD BOND MARKETS

1984 ($bn)		1983 ($bn)		1982 ($bn)	
World Bank	5.5	World Bank	4.7	World Bank	5.8
Sweden	5.2	EEC	3.4	EIB	1.9
Denmark	2.9	Sweden	2.7	Sweden	1.5
EIB	2.4	EIB	2.0	Australia	1.2
Texaco	2.0	Australia	1.2	Hydro Quebec	1.2
New Zealand	1.7	Denmark	1.2	IADB	1.0
Italy	1.5	IADB	1.2	Canada	1.0
Citicorp	1.5	Cred Foncier	1.0	GMAC	0.9
Belgium	1.5	Hydro Quebec	1.0	New Zealand	0.9
IADB	1.4	ABD	0.9	Cred. Lyonnais	0.8

(Source Salomon Brothers)

EUROBONDS

Three U.S. groups in Euroyen issues

BY MAGGIE URRY IN LONDON

THREE more issues appeared in the oversupplied Euroyen bond market yesterday, raising a total of Y76bn. The three borrowers are U.S. companies, and are likely to swap the proceeds back into U.S. dollars.

Syndicate managers question the wisdom of the flood of Euroyen issues, mostly tightly priced. But lead managers are keen not to offend good quality borrowers by refusing to arrange a deal for them.

Of yesterday's crop, a Y25bn five-year issue for General Motors Acceptance Corporation fared best. This had a 6½ per cent coupon and par issue price and traded within the total fees of 1⅞ per cent, bid at 98⅜. Lead manager is Nomura International.

The other two issues both have seven-year maturities. Procter & Gamble is raising Y25bn with a 6⅞ per cent coupon, led by Daiwa Europe, and J. C. Penney's issue totals Y26bn and pays interest at 6¾ per cent. Nikko Securities is lead manager.

These two were not trading actively and dealers quoted the bond outside their 1⅞ per cent total fees.

The Eurodollar bond market was quiet yesterday with prices little changed. No new fixed rate issues were launched. The recent rise in the New York bond market relative to the Eurodollar bond market makes interest rate swaps hard to arrange.

Two floating rate note (FRN) issues were launched. Merrill Lynch formally brought the India Oil and Natural Gas Commission to the market for $150m. The 12-year issue pays interest at ⅛ per cent above the six-month London interbank offered rate (Libor) for Eurodollars, and commissions total 45 basis points. The bonds were bid at 99.60 – the level at which co-managers own the paper.

Salomon Brothers launched a $150m FRN for Republicbank of Dallas. This is subordinated paper, and has a 12-year life with no put options. The spread is ⅛ per cent above three-month Libor and front-end fees total 42 basis points. The issue was trading comfortably inside that level, offered at 99.68.

The rush to call older FRN issues continues, with Sweden announcing yesterday that another, $650m issue paying interest at ¼ per cent over the mean rate between Libor and London interbank bid rate would be redeemed next month.

Eurosterling bonds were again under pressure yesterday, hit by the rise in interest rates. Prices fell by around two points.

The Canadian dollar bond market, like the Euroyen, is also feeling the weight of new issues. Only one appeared yesterday, a 10-year bond for Montreal Urban Community. Led by Orion Royal Bank, the terms were set at a 11⅝ per cent coupon and 100⅛ issue price. The bonds were quoted around the 2 per cent total fees.

Terms were finalised for Chujitsuya's two bond issues in the D-Mark and Swiss franc markets. The DM 70m issue with equity warrants has a 4 per cent coupon, as indicated, and the warrants buy into shares at a price of Y699, compared with a closing price of Y680. On the SwFr 40m issue the exercise price for the equity warrants is the same, while the coupon on the bonds was cut from 3¾ to 3⅝ per cent.

UBS announced a SwFr 25m private placement for Elkem, the Norwegian metals company. The seven-year bonds carry a 5⅝ per cent coupon and issue price is par.

SBC set the coupon on the Asian Development Bank's SwFr 100m public issue at 5⅞ per cent, as indicated.

The Swiss franc bond market was unchanged on average yesterday with turnover still low. The Inter-American Development Bank's SwFr 150m issue started trading yesterday at 99¼, down from the par issue price.

Trading was quiet in the D-Mark bond market, too, with dealers concerned that interest rates could rise. Prices were mostly unchanged with some issues down ¼ point.

In the European Currency Unit (Ecu) bond market, Crédit du Nord launched a Ecu 40m issue led by Banque Paribas. The six-year bonds have a 9¾ per cent coupon and par issue price. They traded within the 1¼ per cent selling concession.

BHF Bank bond average

Jan 28		Previous
102.065		102.138
High	1984/85	Low
103.042		95.058